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MINNESOTA BIENNIAL BUDGET

State Government 2000-01

Presented by Governor Jesse Ventura
to the 81st Legislature

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2000/
2001
State
Govern.



State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

March 19, 1999

To: Senator Keith Langseth, Chairman
Senate Education Finance Committee

Senator Linda Berglin, Chairman
Senate Human Resources Finance Committee

Senator Richard Cohen, Chairman
Senate State Government Finance Committee

Representative Dave Bishop
House Ways and Means Committee

Fr: Pamela Wheelock, Commissioner

Re: Supplement Budget Items, Errata and Omissions to the Governor's 2000-01 Biennial Budget Change Order #3 (Relates to Veteran Affairs Department and revised recommendations for the Persian Gulf Bonus)

Only changes submitted under my signature should be considered as official changes in the Governor's Budget. This procedure is necessary to ensure control over the General Fund Balance as well as eliminate confusion regarding the Governor's Recommendations. This process has worked well in past legislative sessions.

New numbers and language were inserted while deleting old inappropriate language or references on the budget narrative pages. New or revised pages have been copied with original budget data remaining on the opposite page side to allow for ease in inserting and removal of pages into three ring binder budget books.

Please find the following page updates:

State Government:

Veteran Affairs Department:

Pages F-514, F-516, F-517, F-521, F-522, F-529 and F-530 were revised, new pages F-530a and F-530b were added.

2000-01 BIENNIAL BUDGET

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STATE GOVERNMENT

Bill Summary - State Government

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The Governor's 2000-01 Biennial Budget can be viewed at
the Department of Finance's web site at:
<http://www.finance.state.mn.us/bis>

2000-01 Biennial Budget
Bill Summary: State Government

Funding provided in the State Government program area of the state budget provides basic policy and business operations for the state. Activities of the legislature, constitutional officers, the departments of Administration, Revenue, Finance, Employee Relations, Minnesota Planning, and other medium and small agencies are supported through this budget.

State Government. Funding (\$000s)	1998-99 Biennium				2000-01 Biennium			
	General Fund	% of Total	All Funds	% of Total	General Fund	% of Total	All Funds	% of Total
Legislature	118,143	15.40	119,031	2.54	118,083	16.10	118,991	2.26
Governor/Lt. Governor	7,700	1.00	7,742	0.16	8,223	1.12	8,223	0.16
State Auditor	16,580	2.16	16,616	0.35	17,962	2.45	17,998	0.34
State Treasurer	4,314	0.56	4,314	0.09	4,493	0.61	4,493	0.09
Attorney General	65,997	8.60	80,000	1.70	61,285	8.35	72,200	1.37
Secretary of State	11,853	1.54	13,060	0.28	12,306	1.68	13,263	0.25
Administration	62,326	8.12	146,816	3.13	39,231	5.35	101,480	1.93
Revenue	168,975	22.03	187,332	3.99	181,703	24.77	198,517	3.77
Finance	54,563	7.11	54,563	1.16	55,353	7.55	55,353	1.05
Employee Relations	16,186	2.11	630,837	13.44	36,372	4.96	668,380	12.70
Minnesota State Retirement System	8,030	1.05	562,537	11.99	8,012	1.09	611,958	11.63
Local Pension Funds	85,176	11.09	2,459,768	52.42	66,219	9.02	2,940,982	55.87
Planning, Strategic and Long Range	11,882	1.55	14,349	0.31	12,022	1.64	13,950	0.27
Minnesota Office of Technology	9,416	1.23	9,419	0.20	8,909	1.21	9,337	0.18
Arts Board	26,202	3.43	27,515	0.59	26,158	3.57	27,250	0.52
Military Affairs	22,489	2.93	75,143	1.60	23,107	3.15	99,655	1.89
Veterans Affairs	20,768	2.71	24,557	0.52	13,912	1.90	18,059	0.34
All Other Agencies - Items	56,591	7.38	259,544	5.53	40,213	5.48	283,063	5.38
Total (Direct, Open, and Statutory)	767,191		4,693,143		733,563		5,263,152	

2000-01 Biennial Budget
Bill Summary: State Government
(Continued)

Base Adjustments by Category	F.Y. 2000		F.Y. 2001	
	General Fund	All Funds	General Fund	All Funds
Attorney General Costs	18	20	38	41
New Programs to Agency Base	124	124	233	233
Biennial Appropriations	4,900	4,900	1,601	1,601
Caseload/Enrollment Change		(211)		(207)
One-Time Appropriations	(28,856)	(29,034)	(28,856)	(29,034)
Open Approp. Forecast Adjustment	(1,727)	119,853	(3,022)	249,409
Doc. Space Rental/Lease	970	970	865	895
Small Agency Operational Expense	75	75	152	152
Statewide Administration Systems	171	177	171	177
2000-01 Salary & Benefit Base	5,211	5,460	10,616	11,118
1999 Salary Sup. Transfers	199	199	222	222
Program/Agency Sunset	(195)	(195)	(29)	(29)
System Development Cost	(478)	(478)	(466)	(466)
Transfer Between Agencies	(273)	1,981	(273)	1,981
Uniform Pension Bill Reduction	(163)	(163)	(163)	(163)
Totals	(20,024)	103,678	(18,911)	235,930

Note: Individual base adjustments may be positive or negative depending on the item and adjustment category; all category amounts shown here are net figures.

2000-01 Biennial Budget

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 of the legislature and health 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, the Board of Trustees Candidate Advisory Council, the Joint House-Senate Subcommittee on Claims, and the Electric Energy Task Force. The LCC coordinates the provision of sign language interpreters at legislative hearings and meetings for citizens who are deaf or hard of hearing. The LCC Office of International Affairs serves as the main point of contact in scheduling meetings and arranging itineraries for visiting delegations seeking to learn more about the legislative process in Minnesota.

Complement: 5.0 FTE

LCC SUBCOMMITTEE ON EMPLOYEE RELATIONS

The commission was originally established in 1979 and now exists as a subcommittee of the LCC. It assists the legislature by monitoring the collective bargaining process between the state and its employees, and providing interim approval of negotiated agreements and arbitrated awards. The commission also reviews and approves the Commissioner's and Manager's Pay Plans for

unrepresented employees of the state. 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, conducting research 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: 3.0

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: 0

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

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LEGISLATURE

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY PROGRAM:</u>									
HOUSE OF REPRESENTATIVES	22.646	23.299	30.440	26.451	26.451	26.451	27.043	27.043	27.043
SENATE	16.628	17.849	20.541	18.353	18.353	18.353	18.798	18.798	18.798
LEGISLATIVE COORDINATING CMSN	7.270	7.290	9.515	8.488	8.488	8.488	8.642	8.642	8.642
LEGISLATIVE AUDIT COMMISSION	4.710	4.877	5.220	4.780	4.780	4.780	4.910	4.910	4.910
NONSALARY INFLATION	0	0	0	0	0	503	0	0	1.023
Total Expenditures	51.254	53.315	65.716	58.072	58.072	58.575	59.393	59.393	60.416

FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	50,657	52,507	64,539	57,536	57,536	58,039	58,833	58,833	59,856
HEALTH CARE ACCESS	101	109	191	150	150	150	150	150	150
TRUNK HIGHWAY	35	38	36	37	37	37	37	37	37
AGENCY	61	241	273	255	255	255	279	279	279
STATUTORY APPROPRIATIONS:									
GENERAL	400	420	677	94	94	94	94	94	94
Total Financing	51,254	53,315	65,716	58,072	58,072	58,575	59,393	59,393	60,416

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **LEGISLATURE**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	56,850	56,874	56,408	56,408	442	466	0	0
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<50>	<50>	<50>	<50>	0	0	0	0
DOC. SPACE RENTAL/LEASE	24	24	24	24	0	0	0	0
2000-01 SAL. & BEN. BASE	1,248	2,545	1,248	2,545	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	1,222	2,519	1,222	2,519	0	0	0	0
BASE BUDGET	58,072	59,393	57,630	58,927	442	466	0	0

2000-01 Biennial Budget

AGENCY: Legislature
(Continuation)

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: 18.0 FTEs

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 and other constitutional officers. 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

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 79. 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 20 legislators, 10 from the House and 10 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. The commission consists of 20 legislators, 10 from the House and 10 from the Senate.

Complement: 5.5

LCC GEOGRAPHIC INFORMATION SYSTEMS OFFICE

The LCC Geographic Information Systems Office is responsible for providing the resources for the legislature, (including hardware, software and staff) to support

2000-01 Biennial Budget

AGENCY: Legislature
(Continuation)

development of redistricting plans, as well as the development and maintenance of spatial databases and the production and distribution of map data and Internet map server applications. The office provides staff support for the LCC's computer network and web pages.

Complement: 3.0

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed somewhat from general budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of power and the desire of other elected state officials to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature it is necessary to identify funding for those offices as part of preparing a completed and balanced budget.

The Governor's general recommendations for the legislature and constitutional offices reflect his firm commitment to minimizing the overall growth of government and the resulting tax burden on Minnesota taxpayers. Therefore, the Governor recommends funding to maintain the existing level of appropriations previously established by the legislature and increasing that level only for salary and non-salary inflation. The effect of this overall level of funding should effectively allow for the same level of service as in the current year. Discretionary increases in the level of services provided should be reallocated from within the base budget.

For the Legislature, the Governor's recommendation includes \$3.793 million for salary inflation and \$1.526 million for non-salary inflation.

The Governor makes no recommendation regarding the specific initiatives put forward by the Legislature to expend the activities of this office.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LEGISLATURE

Program: HOUSE OF REPRESENTATIVES

Activity: HOUSE OF REPRESENTATIVES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	22,646	23,299	30,440	26,451	26,451	26,451	27,043	27,043	27,043
SUBTOTAL STATE OPERATIONS	22,646	23,299	30,440	26,451	26,451	26,451	27,043	27,043	27,043
Total Expenditures	22,646	23,299	30,440	26,451	26,451	26,451	27,043	27,043	27,043
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	22,646	23,222	30,347	26,374	26,374	26,374	26,966	26,966	26,966
AGENCY	0	77	93	77	77	77	77	77	77
Total Financing	22,646	23,299	30,440	26,451	26,451	26,451	27,043	27,043	27,043
<u>REVENUE COLLECTED:</u>									
DEDICATED									
AGENCY	79	76	77	77	77	77	77	77	77
Total Revenues Collected	79	76	77	77	77	77	77	77	77

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LEGISLATURE

Program: SENATE

Activity: SENATE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	16.628	17.849	20.541	18.353	18.353	18.353	18.798	18.798	18.798
SUBTOTAL STATE OPERATIONS	16.628	17.849	20.541	18.353	18.353	18.353	18.798	18.798	18.798
Total Expenditures	16.628	17.849	20.541	18.353	18.353	18.353	18.798	18.798	18.798
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	16.628	17.745	20.246	18.151	18.151	18.151	18.572	18.572	18.572
AGENCY	0	104	108	108	108	108	132	132	132
STATUTORY APPROPRIATIONS:									
GENERAL	0	0	187	94	94	94	94	94	94
Total Financing	16.628	17.849	20.541	18.353	18.353	18.353	18.798	18.798	18.798
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	48	93	94	94	94	94	94	94	94
AGENCY	98	104	108	108	108	108	108	108	108
Total Revenues Collected	146	197	202	202	202	202	202	202	202

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LEGISLATURE

Program: LEGISLATIVE COORDINATING CMSN

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY ACTIVITY:</u>									
LCC-LEG REFERENCE LIBRARY	1,046	1,027	1,055	1,079	1,079	1,079	1,107	1,107	1,107
LCC-REVISORS OFFICE	4,405	4,460	5,708	5,484	5,484	5,484	5,582	5,582	5,582
LCC-MISS RIVER PKWY CMSN	35	38	36	37	37	37	37	37	37
LCC-FISCAL AGENTS	215	305	371	317	317	317	317	317	317
LCC-GEOGRAPHIC INFORMATION SYS	158	151	149	153	153	153	158	158	158
LCC-PENSIONS & RETIREMENTS	517	509	566	523	523	523	530	530	530
LCC-GREAT LAKES CMSN	61	49	50	50	50	50	50	50	50
LCC-EMPLOYEE RELATIONS	5	59	114	116	116	116	118	118	118
LCC-COMMISSION OPERATIONS	573	465	1,104	515	515	515	523	523	523
LCC-ECONOMIC STATUS OF WOMEN	214	180	209	214	214	214	220	220	220
LCC-CORPORATE SUBSIDY REFORM	0	12	6	0	0	0	0	0	0
LCC-INFORMATION POLICY TASK	0	3	62	0	0	0	0	0	0
LCC-ELECTRIC ENERGY TASK	41	32	85	0	0	0	0	0	0
Total Expenditures	7,270	7,290	9,515	8,488	8,488	8,488	8,642	8,642	8,642
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	7,073	7,083	9,166	8,231	8,231	8,231	8,385	8,385	8,385
HEALTH CARE ACCESS	101	109	191	150	150	150	150	150	150
TRUNK HIGHWAY	35	38	36	37	37	37	37	37	37
AGENCY	61	60	72	70	70	70	70	70	70
STATUTORY APPROPRIATIONS:									
GENERAL	0	0	50	0	0	0	0	0	0
Total Financing	7,270	7,290	9,515	8,488	8,488	8,488	8,642	8,642	8,642

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LEGISLATURE

Program: LEGISLATIVE AUDIT COMMISSION

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY ACTIVITY:</u>									
LEGISLATIVE AUDIT COMMISSION	4	7	7	15	15	15	15	15	15
LEGISLATIVE AUDITOR	4,706	4,870	5,213	4,765	4,765	4,765	4,895	4,895	4,895
Total Expenditures	4,710	4,877	5,220	4,780	4,780	4,780	4,910	4,910	4,910
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	4,310	4,457	4,780	4,780	4,780	4,780	4,910	4,910	4,910
STATUTORY APPROPRIATIONS:									
GENERAL	400	420	440	0	0	0	0	0	0
Total Financing	4,710	4,877	5,220	4,780	4,780	4,780	4,910	4,910	4,910

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LEGISLATURE

Program: LEGISLATIVE AUDIT COMMISSION

Activity: LEGISLATIVE AUDITOR

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	4.028	4.172	4.518	4.076	4.076	4.076	4.212	4.212	4.212
OPERATING EXPENSES	678	698	695	689	689	689	683	683	683
SUBTOTAL STATE OPERATIONS	4.706	4.870	5.213	4.765	4.765	4.765	4.895	4.895	4.895
Total Expenditures	4.706	4.870	5.213	4.765	4.765	4.765	4.895	4.895	4.895
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	4.306	4.450	4.773	4.765	4.765	4.765	4.895	4.895	4.895
STATUTORY APPROPRIATIONS:									
GENERAL	400	420	440	0	0	0	0	0	0
Total Financing	4.706	4.870	5.213	4.765	4.765	4.765	4.895	4.895	4.895
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	400	420	440	0	0	0	0	0	0
NONDEDICATED									
GENERAL	145	74	117	100	100	100	100	100	100
Total Revenues Collected	545	494	557	100	100	100	100	100	100

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LEGISLATURE

Program: NONSALARY INFLATION

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY ACTIVITY:</u>									
NONSALARY INFLATION	0	0	0	0	0	503	0	0	1,023
Total Expenditures	0	0	0	0	0	503	0	0	1,023
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) NON-SALARY INFLATION	GEN					503			1,023
Total Change Items						503			1,023
<u>FINANCING BY FUND:</u>									
<u>DIRECT APPROPRIATIONS:</u>									
GENERAL	0	0	0	0	0	503	0	0	1,023
Total Financing	0	0	0	0	0	503	0	0	1,023

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2000-01 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.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LEGISLATIVE RENT

Program: RENT

Activity: RENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	4,882	5,187	5,249	5,447	5,447	5,447	5,460	5,460	5,460
SUBTOTAL STATE OPERATIONS	4,882	5,187	5,249	5,447	5,447	5,447	5,460	5,460	5,460
Total Expenditures	4,882	5,187	5,249	5,447	5,447	5,447	5,460	5,460	5,460
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	4,882	5,187	5,249	5,447	5,447	5,447	5,460	5,460	5,460
Total Financing	4,882	5,187	5,249	5,447	5,447	5,447	5,460	5,460	5,460

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **LEGISLATIVE RENT**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	5,249	5,249	5,249	5,249	0	0	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	198	211	198	211	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	198	211	198	211	0	0	0	0
BASE BUDGET	5,447	5,460	5,447	5,460	0	0	0	0

2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

AGENCY: Secretary of State	PAGE
Agency Executive Summary	F-17
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 PROGRAMS, BUDGET ACTIVITIES, AND CHANGE ITEMS	
 SECRETARY OF STATE	
Administration	F-25
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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Secretary of State

AGENCY MISSION AND VISION:

The mission of the Office of Secretary of State is to serve the people of the state of Minnesota by facilitating commerce and promoting democracy through public participation in governance.

The goals of the office are as follows:

- *To continually improve customer service* in order to respond to our customers' needs in a timely, accurate and cost effective manner.
- *To increase the productivity and effectiveness of the office of the secretary of state employees.*
- *To provide mandated services to the citizens of Minnesota in a cost effective manner* within the office's appropriation.
- *To maintain a quality work environment for the office of the secretary of state employees.*

KEY SERVICE STRATEGIES:

The Office of the Secretary of State is committed to making resources and quality services accessible to our customers in a cost effective, efficient, and courteous manner.

The secretary of state's office uses the following strategies in pursuit of its mission and goals:

- Sustain and improve customer service through same-day review and filing of business and UCC documents.
- Provide better customer service through acceptance of documents via electronic transmission, fax and other automated means.
- Improve local election administration and election judge performance through the use of uniform training guides, teleconferencing and videos.

- Increase employee effectiveness through upgrade of computer systems to client/server environment and the use of desktop publishing and in-house production of publications.
- Continually examine work processes to eliminate redundant tasks and redistribute work loads.
- Provide information more efficiently to the public via the World Wide Web:
 - voter registration information
 - candidate information
 - open appointment positions
 - general information about office functions
- Maintain a quality work environment by implementing optical imaging for record storage and a paper less workflow.
- Enhance electronic commerce by implementing the Minnesota Electronic Authentication Act (digital signatures).

OPERATING ENVIRONMENT:

The Secretary of State serves as the chief election official of the state of Minnesota, whose primary responsibility is ensuring 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, federal tax liens, and all state and county election results. 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.

Customers include the staff of the Office of Secretary of State; elected officials in the state of Minnesota; county auditors, county recorders and election officials from all 87 counties; agents of other governmental agencies; banks and other lending institutions; attorneys; and the citizens of the state of Minnesota.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Secretary of State
(Continuation)

ORGANIZATION/PROGRAM STRUCTURE:

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

ADMINISTRATION	
Office of the Secretary	5.0 fte
Administrative Services	2.0 fte
Fiscal Operations	7.8 fte
Human Resources	1.0 fte
OPERATIONS	
Uniform Commercial Code	9.0 fte
Business Services	6.0 fte
Information Services Division	2.0 fte
Computer Services	15.0 fte
Public Information	8.2 fte
ELECTIONS	
	7.0 fte

6/30/98 Total FTEs: 73

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed somewhat from general 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 without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature it is necessary to identify funding for those offices as part of preparing a completed and balanced budget.

The Governor's general recommendations for the constitutional offices reflect his firm commitment to minimizing the overall growth of government and the resulting tax burden on Minnesota taxpayers. Therefore, the Governor recommends funding to maintain the existing level of appropriations previously established by the legislature and recommends increasing that level only for salary and non-salary inflation. This overall level of funding should allow this office to provide the same level of service as in the current year. Discretionary increases in the level of services provided should be reallocated from within the base budget.

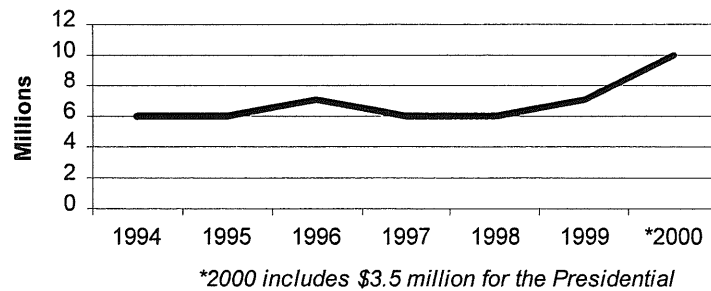
For the Secretary of State, the Governor's recommendation includes \$282,000 for salary inflation and \$223,000 for non-salary inflation. Although the non-salary inflation increase is shown under the Administration budget activity (for display purposes), it is meant to be available agency-wide. The Governor also recommends the repeal of the Presidential Primary. The Governor makes no recommendation regarding the specific initiatives put forward by the Secretary of State to expand the activities of this office.

**2000-01 Biennial Budget
Agency Executive Summary**

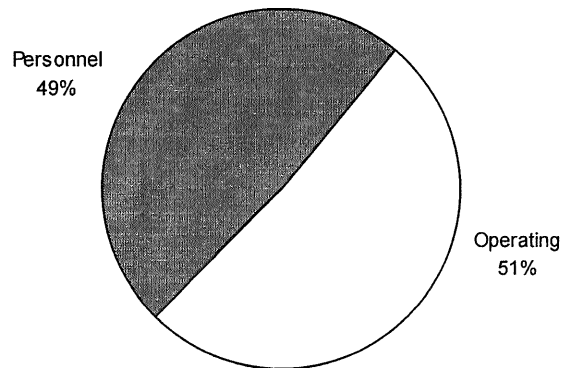
AGENCY: Secretary of State
(Continuation)

TRENDS AND PERSPECTIVES

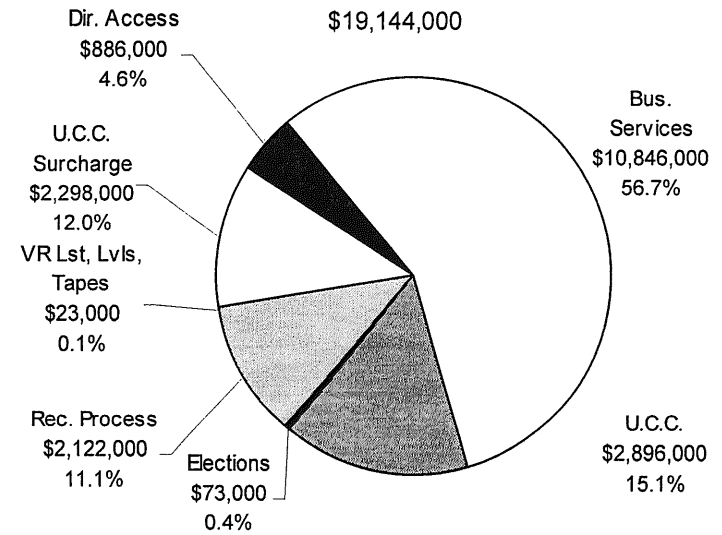
Total Budget - All Funds



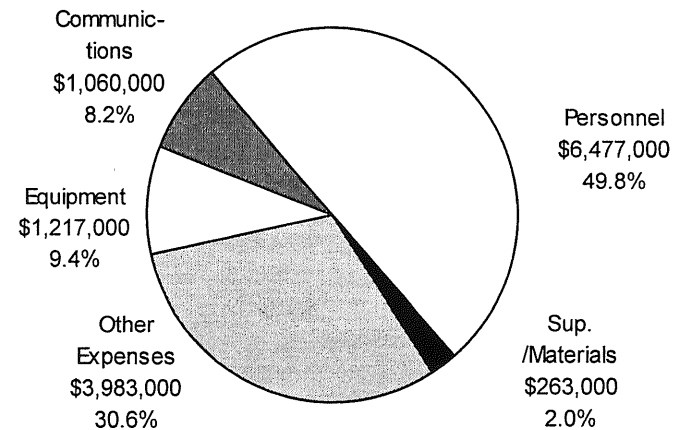
1998-99 Expenditures by Category
Total: \$13 Million



1998-99 Fees Collected
\$19,144,000



1998-99 Expenditures
Total: \$13 Million



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: SECRETARY OF STATE

Program: SECRETARY OF STATE

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
EXPENDITURES BY ACTIVITY:									
ADMINISTRATION	891	862	908	928	928	1,004	954	954	1,101
OPERATIONS	4,714	4,614	5,399	4,823	7,259	4,823	4,889	4,963	4,889
ELECTION ADMINISTRATION	599	440	837	4,168	4,182	668	778	792	778
Total Expenditures	6,204	5,916	7,144	9,919	12,369	6,495	6,621	6,709	6,768

CHANGE ITEMS:	FUND								
(B) GIS COSTS	GEN				5			5	
(B) IMAGE CONVERSION	GEN				2,436			74	
(B) TRAINING FOR ELECTION OFFICIALS	GEN				9			9	
(B) NON-SALARY INFLATION	GEN					76			147
(B) REPEAL OF PRESIDENTIAL PRIMARY	GEN					(3,500)			
Total Change Items					2,450	(3,424)		88	147

FINANCING BY FUND:									
CARRY FORWARD:									
GENERAL	0	0	0	100	100	100	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	5,817	5,421	6,422	9,338	11,788	5,914	6,135	6,223	6,282
STATUTORY APPROPRIATIONS:									
GENERAL	2	5	5	5	5	5	5	5	5
SPECIAL REVENUE	385	490	714	473	473	473	478	478	478
AGENCY	0	0	3	3	3	3	3	3	3
Total Financing	6,204	5,916	7,144	9,919	12,369	6,495	6,621	6,709	6,768

FTE BY EMPLOYMENT TYPE:									
FULL TIME	73.0	73.0	73.0	73.0	75.0	73.0	73.0	75.0	73.0
PART-TIME, SEASONAL, LABOR SER	1.0	0.0	0.0	0.0	0.5	0.0	0.0	0.5	0.0
Total Full-Time Equivalent	74.0	73.0	73.0	73.0	75.5	73.0	73.0	75.5	73.0

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Secretary of State

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$5,914	\$5,914	\$11,828
<u>BASE ADJUSTMENT</u>			
One-time Appropriation	(16)	(16)	(32)
Biennial Appropriations	3,320	21	3,341
2000-01 Salary & Benefits	93	189	282
Statewide Administration Systems	6	6	12
Documented Space Rental Increases	25	25	50
Uniform Pension Bill Reduction	(4)	(4)	(8)
<u>BASE LEVEL (for 2000 and 2001)</u>	\$9,338	\$6,135	\$15,473
<u>AGENCY REQUEST ITEMS</u>			
Training for Election Officials	9	9	18
GIS System Plotter Supplies	5	5	10
Image Conversion	<u>2,436</u>	<u>74</u>	<u>2,510</u>
<u>AGENCY REQUEST (for 2000 and 2001)</u>	\$11,788	\$6,223	\$18,011
<u>GOVERNOR'S INITIATIVES</u>			
Non-Salary Inflation	76	147	223
Repeal of Presidential Primary	(3,500)	-0-	(3,500)
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$5,914	\$6,282	\$12,196

Brief Explanation of Budget Decisions:

The Office of the Secretary of State is a "net contributor" to the state's General Fund. Non-dedicated revenue generated by the Office of the Secretary of State for F.Y. 1998-99 is projected to exceed the amounts appropriated by the legislature to this office by \$6.4 million. The Office of the Secretary of State projects that the agency will generate a total of \$19 million in various fees for the General Fund during the next biennium.

There should be a closer relationship between the amount of fees that are charged to the public and the services that our customers receive.

■ Base adjustments include the removal of the following one-time appropriations:

- \$20,000 for the United States Postal System interface
- \$12,000 for the Uniform Partnership Act

■ The following base adjustments comprise the biennial appropriations base adjustment listed in the table above:

- Removal of \$93,000 for printing of the *Minnesota Legislative Manual*. (The *Legislative Manual* is printed every other year.)
- Removal of \$25,000 related to the operation of a voter information telephone line. (The voter information telephone line is in operation every other year.)
- Addition of \$3,500,000 for holding the Presidential primary in 2000 and \$1,000 for reimbursing travel and lodging costs of Electoral College electors. (The Presidential primary and the Electoral College meeting occur once every other biennium.) The \$3,500,000 request is dedicated to salaries of the election judges for the 4,040 precincts statewide and the purchase of election-related supplies.
- Addition of \$18,000 for producing an Election Judge Training Video. (The Election Judge Training Video is produced every other year.)
- Addition of \$40,000 for the Digital Signature Program. (The appropriation for this program was previously set up as a biennial appropriation. In the F.Y. 2000-01 biennium, this is set up as a regular appropriation).

■ Base adjustments also include increases for salaries, rent, statewide administration systems and a reduction for retirement savings.

**2000-01 Biennial Budget
Agency Budget Brief**

Agency: Secretary of State
(Continuation)

Fund: General

- The Secretary of State's office has 3 agency request items that will provide greater value to the members of the public who pay for the office's services.
 - An increase of \$2,510,000 and 2.5 FTE positions for conversions of microfilmed document images to a digital image format. In the UCC division, there are 225 rolls of microfilm. In the Business Services Division there are 1,582 rolls of microfilm. In addition, there are approximately 410,000 stored microfiche requiring conversion. Conversion of the antiquated film records, microfiche records, retrieval systems and reader equipment is necessary to provide the level of service that our fee-paying customers require. Only by implementing the entire system can the Secretary of State sharply decrease the time required to process customer requests, eliminate costly backlogs and provide the level of service needed by our customers. In F.Y. 1998-99 these customers paid \$13,742,000 in fees into the General Fund for services from the UCC and Business Services Divisions.
 - An increase of \$9,000 to cover the costs of travel, room rental and related expenses associated with conducting training conferences and other meetings with election officials, recounts, pre-election testing of voting equipment and post-election testing of voting equipment.
 - An increase of \$5,000 to cover costs related to Geographical Information System (GIS) plotter supplies.

GOVERNOR'S RECOMMENDATION(S):

For the Secretary of State, the Governor's recommendation includes \$282,000 for salary inflation and \$223,000 for non-salary inflation. The Governor also recommends the repeal of the Presidential Primary. The Governor makes no recommendation regarding the specific initiatives put forward by the Secretary of State.

**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Secretary of State

REVENUE SOURCES:

The agency projects it will generate non-dedicated revenues of \$19 million in the next biennium.

Non-dedicated revenues generated by the Office of the Secretary of State for the previous biennium (F.Y. 1998-99) will exceed the dollars appropriated to the agency by an estimated \$6.4 million.

FEE STRUCTURE:

The agency fees include the following:

- **Business Services:** Filing fees for documents by domestic/foreign and nonprofit corporations, cooperatives, limited partnerships, trademarks, assumed names, limited liability companies and limited liability partnerships; fees for service of process, land survey copies and expedited service.
- **Public Information:** Fees for the production of precinct finders, voter registration and Business Services lists; and direct access to Business Services and UCC databases.
- **Elections:** Filing fees for individuals who run for public office; sale of maps.
- **Records Processing:** Filing fees for annual/biennial reports/registrations and reinstatements for Minnesota/foreign business organizations; legal newspaper registrations and renewals of assumed names.
- **Uniform Commercial Code:** Fees for filing UCC, farm lien and state and federal tax lien documents; certified copies; good standing and notary certificates.
- **Surcharge:** Surcharge fee on UCC and farm lien filings.

- **Digital Signature Licenses:** Fees for certification authority licenses and recognition of repositories.

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

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: SECRETARY OF STATE

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
DEPARTMENTAL EARNINGS:									
CAMBRIDGE DEPOSIT FUND	9,001	9,426	8,842	9,421	9,421	9,677	9,677	830	4.5%
AGENCY	0	0	2	2	2	2	2	2	100.0%
OTHER REVENUES:									
GENERAL	1	2	1	1	1	1	1	(1)	-33.3%
OTHER SOURCES:									
GENERAL	0	0	1	1	1	1	1	1	100.0%
CAMBRIDGE DEPOSIT FUND	0	0	8	8	8	8	8	8	100.0%
TAXES:									
GENERAL	1	1	1	1	1	1	1	0	.0%
Total Non-Dedicated Receipts	9,003	9,429	8,855	9,434	9,434	9,690	9,690	840	4.6%
DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS:									
GENERAL	4	3	7	5	5	5	5	0	.0%
SPECIAL REVENUE	435	414	468	473	473	478	478	69	7.8%
AGENCY	0	0	3	3	3	3	3	3	100.0%
OTHER REVENUES:									
GENERAL	25	0	0	0	0	0	0	0	
Total Dedicated Receipts	464	417	478	481	481	486	486	72	8.0%
Agency Total Revenues	9,467	9,846	9,333	9,915	9,915	10,176	10,176	912	4.8%

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

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.

- *Office of the Secretary* is responsible for overall office policy and management systems development. This office 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 and digital signature services.
- *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 processing approximately 300,000 money transactions 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 employee recruitment, selection, classification, and compensation; benefits administration, affirmative action, training, health and safety.

STRATEGIES AND PERFORMANCE:

The administration division has consistently delivered improved services:

- Computerized many fiscal processes, enabling the office to better serve customers, increase productivity and improve the work environment.
- Increased customer payment options by offering automated clearing house (ACH) accounts.
- On average, paid 98% of bills within 30 days, exceeding the Department of Finance goal for the state, reducing interest penalties for late payments, and maintaining a positive relationship with vendors.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: SECRETARY OF STATE

Program: SECRETARY OF STATE

Activity: ADMINISTRATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	732	793	804	827	827	827	852	852	852
OPERATING EXPENSES	159	69	104	101	101	177	102	102	249
SUBTOTAL STATE OPERATIONS	891	862	908	928	928	1,004	954	954	1,101
Total Expenditures	891	862	908	928	928	1,004	954	954	1,101
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) NON-SALARY INFLATION	GEN					76			147
Total Change Items						76			147
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	891	862	908	928	928	1,004	954	954	1,101
Total Financing	891	862	908	928	928	1,004	954	954	1,101
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8
PART-TIME, SEASONAL, LABOR SER	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	16.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Operations includes the following management activities: Business Services, Uniform Commercial Code (UCC) and Information Services.

BUSINESS SERVICES AND UCC

The Business Services management activity reviews, approves and files 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 for substituted service of process on business entities and holds a copy of the original land survey records of the state. Filing volumes continue a steady increase over both the recent and historical past.

Table below shows specific filing volumes:

# of Documents Processed	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Business Corporations	12,698	12,750	12,800	12,850
Corporate Amendments	18,475	15,500	16,000	16,500
Nonprofit Corporations	1,727	1,750	1,775	1,800
Foreign Corporations	2,149	2,200	2,250	2,300
Foreign Corporation Amendments	1,792	1,750	1,750	1,750
New Limited Partnerships	821	850	900	950
Assumed Name Certificates	16,003	16,500	17,000	17,500
Trademarks	1,298	1,250	1,275	1,300
Service of Process	957	1,000	1,000	1,000
Limited Liability Companies	1,704	1,800	1,900	2,000
Limited Liability Partnerships	1,195	1,250	1,275	1,300
Miscellaneous	<u>6,933</u>	<u>7,250</u>	<u>7,500</u>	<u>7,750</u>
TOTAL:	65,752	63,850	65,425	67,000
Average filings accepted per staff	21,917	21,283	21,808	22,333
# of days processing time	1	1	1	1

The Uniform Commercial Code and Certification management activity 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.

UCC 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 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.

Table below shows specific documents processed:

UCC Records	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
# of documents processed	96,451	96,500	97,000	98,000
# of days processing time	1	1	1	1
UCC Searches				
# of requests processed	10,092	14,000	14,400	14,800
# of copies generated	63,924	68,000	69,000	70,500
# of days processing time	2	1	1	1
Tax Liens				
# of docs processed	2,944	3,775	3,900	4,100
# of days processing time	1	1	1	1
Certification/Copies				
# of requests processed	58,687	60,000	64,000	68,500
# of copies generated	166,392	168,000	171,000	175,000
# of days processing time	1	1	1	1
Central Notification System				
# of documents processed	1,698	1,790	1,850	1,950
# of total registered buyers	435	450	475	500
# of days processing time	1	1	1	1

2000-01 Biennial Budget

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

STRATEGIES AND PERFORMANCE FOR BUSINESS SERVICES AND UCC:

- The Business Services and UCC divisions will use a paperless workflow and storing documents as optical images to continue to provide same-day processing of filings received.
- Efficiency of information retrieved will be increased with the use of optical imaging.
- Improve customer service by implementing new filing methods:
 - Electronic transmission
 - FAX
- Business Services customers served: 75,000 per year
 - 60,000 with filings (including 10,000 in-person)
 - 15,000 telephone inquiries
- UCC customers served: 113,968-31,800 with filings (including 3,250 in person)
 - 61,940 with requests processed (including 23,430 in person)
 - 20,228 telephone inquiries

BUDGET ISSUES FOR BUSINESS SERVICES AND UCC:

An increase of \$2,510,000 is requested to cover the costs of conversion of microfilmed document images to a digital image format. The Office has approximately 9 million images stored on microfilm, microfiche and paper. These are records created primarily in UCC and Business Services which must be retained and stored by the Office and, at the same time, be easily accessible to the public. Conversion of these records into optical images is a necessity.

A one-time conversion will: improve access and customer service by providing better quality documents which are simultaneously available to multiple customers at multiple locations; reduce costs associated with storing, maintaining and retrieving multiple record types; and result in a streamlined, coherent system which uses technology to better serve our customers.

INFORMATION SERVICES

The Information Services management activity includes: Computer Services, Public Information and Records Processing.

Computer Services section provides computer programming support and manages all electronic 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 information maintained by Minnesota county recorders. The databases are:

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

STRATEGIES AND PERFORMANCE FOR INFORMATION SERVICES:

- Implemented an electronic transfer of tax liens from the Internal Revenue Service to all 87 Minnesota counties.
- Upgraded mainframe to new software levels.
- Upgraded office LANs and PCS to meet the demands of the office.
- Maintained and enhanced existing applications software.

Public Information section disseminates information on businesses registered in Minnesota, UCC filings, election information and registered voters. Public Information has primary responsibility for:

- Producing 700 to 900 customized Voter Registration lists each year for election administration, political activities or law enforcement purposes;
- Providing information to 6,000 customers per week through our Public Information Telephone Lines; and
- Providing 450 Direct Access subscribers with on-line view-only access to major databases maintained by the office.

2000-01 Biennial Budget

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

Table below lists section activity:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Records/Lists Sold				
VR Lists/Labels/Tapes	461	900	500	900
Log Printouts	2,000	2,000	2,000	2,000
Business Services Tapes	41	48	48	48
Business Services Lists/Labels	1,560	2,028	2,434	2,434
Direct Access (DA)				
Paid Subscribers	438	438	438	438
Business Information Lines				
Incoming Calls	325,154	373,927	430,016	494,518

Records Processing section provides data entry for all business and UCC documents filed in the Office of the Secretary of State and is responsible for:

- Ensuring the integrity of the databases by entering accurate data on a daily basis into the computer. The information is available to each of the 87 counties in the state.
- The statutory dissolution of Minnesota corporations that fail to file a registration for a 3 year period. The section also revokes certificates of authority to do business in Minnesota when a foreign corporation fails to file an annual registration.
- The administrative terminations of Minnesota liability companies and all revocations of foreign limited liability companies that fail to file the biennial registration for 2 consecutive filing periods.

Table below lists specific processing activity:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<u>Annual Registrations:</u>				
Domestic Corporations				
Filed	73,402	75,000	78,000	81,000
Rejection Rate	17%	17%	17%	17%
Statutory Dissolutions	6,409	6,500	6,600	7,000
Reinstated	279	325	350	400
Foreign Corporations				
Annual Registrations Filed	11,790	12,500	13,000	14,000
Fees in excess of minimum	\$486,874	\$500,000	\$510,000	\$525,000
Revocations	1,424	1,800	2,200	2,500
Nonprofit Corporations				
Filed	20,137	21,500	22,500	23,500
Rejection rate	9%	9%	9%	9%
Statutory Dissolutions	23,298	1,000	1,000	1,000
Reinstated	280	3	3	3
Legal Newspapers				
Filed	347	350	355	360
Rejection Rate	1%	1%	1%	1%
<u>Renewals:</u>				
Assumed Names				
Due to Expire	9,262	10,467	10,829	10,808
Renewed	2,018	2,300	2,500	2,700
Trademarks				
Due to Expire	846	716	890	893
Renewed	257	270	280	280
<u>Records - Data Entered:</u>				
Business Services	65,752	63,850	65,425	67,000
UCC	96,451	96,500	97,000	98,000
<u>Biennial Registrations:</u>				
Minnesota Limited Liability Companies				
Filed	1,549	2,000	2,500	3,000
Rejection Rate	31%	31%	31%	31%
Administrative Terminations	110	175	225	250
Reinstated	12	20	30	40
Foreign Limited Liability Companies				
Filed	476	700	900	1,100
Rejection Rate	3%	3%	3%	3%
Revocations	17	20	25	30
Reinstated	0	3	5	7

23,398 Minnesota nonprofit corporations that were registered prior to 1990 were statutorily dissolved as of 12-31-97 for failure to file an initial annual registration, thus making more entity names available to the public and providing a more accurate data base.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: SECRETARY OF STATE

Program: SECRETARY OF STATE

Activity: OPERATIONS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1.731	1.991	2.152	2.367	2.441	2.367	2.436	2.510	2.436
OPERATING EXPENSES	2.983	2.590	3.246	2.455	4.817	2.455	2.452	2.452	2.452
SUBTOTAL STATE OPERATIONS	4.714	4.581	5.398	4.822	7.258	4.822	4.888	4.962	4.888
CAPITAL OUTLAY	0	33	0	0	0	0	0	0	0
PAYMENTS TO INDIVIDUALS	0	0	1	1	1	1	1	1	1
Total Expenditures	4.714	4.614	5.399	4.823	7.259	4.823	4.889	4.963	4.889
<u>CHANGE ITEMS:</u>									
(B) IMAGE CONVERSION	<u>FUND</u> GEN			2.436			74		
Total Change Items				2.436			74		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	4.327	4.119	4.679	4.344	6.780	4.344	4.405	4.479	4.405
STATUTORY APPROPRIATIONS:									
GENERAL	2	5	5	5	5	5	5	5	5
SPECIAL REVENUE	385	490	714	473	473	473	478	478	478
AGENCY	0	0	1	1	1	1	1	1	1
Total Financing	4.714	4.614	5.399	4.823	7.259	4.823	4.889	4.963	4.889
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	29	3	7	5	5	5	5	5	5
SPECIAL REVENUE	438	416	470	475	475	475	480	480	480
AGENCY	0	0	1	1	1	1	1	1	1

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: SECRETARY OF STATE

Program: SECRETARY OF STATE

Activity: OPERATIONS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
NONDEDICATED									
GENERAL	0	3	3	3	3	3	3	3	3
CAMBRIDGE DEPOSIT FUND	8.935	9.424	8.779	9.428	9.428	9.428	9.604	9.604	9.604
Total Revenues Collected	9.402	9.846	9.260	9.912	9.912	9.912	10.093	10.093	10.093
FTE BY EMPLOYMENT TYPE:									
FULL TIME	50.2	50.2	50.2	50.2	52.2	50.2	50.2	52.2	50.2
PART-TIME, SEASONAL, LABOR SER	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.5	0.0
Total Full-Time Equivalent	50.2	50.2	50.2	50.2	52.7	50.2	50.2	52.7	50.2

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2000-01 Biennial Budget

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

ACTIVITY PROFILE: The Election Division is responsible for the administration of the constitutional and statutory duties of the Secretary of State related to elections.

The goal of this activity is to insure that elections are conducted honestly and fairly in conformance with Minnesota election law.

In addition to election administration, the following activities are also carried out by the division.

- Administration of the Open Appointments Act. The goal of this activity is to provide Minnesota residents with an opportunity to apply for and seek appointment to state councils, boards and commissions.
- Dissemination of Election-Related Information. The goal of this activity is to make election-related information readily available for public use.
- Preservation of Public Documents. The goal of this activity is to make official public documents readily available for public use.

STRATEGIES AND PERFORMANCE: The division provides advice, guidance and information on election-related matters to 3,000 local election officials, 17,000 elected officials, 28,000 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.

To facilitate public participation in the process of appointing members to state boards and commissions, the division:

- Advertises vacancies on state councils, boards and commissions on the Secretary of State's Web site once every month.
- Prepares and mails a monthly listing of vacancies to over 1,100 television and radio stations, newspapers and individuals.

The division publishes the *Minnesota Legislative Manual*, which is the official record of state government; 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 is also made available to the public electronically on the World Wide Web. 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.

The division is responsible for preservation of the following public documents: results of state elections, oaths of state elected and appointed officials, bills signed into law by the governor, 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 and made available for public inspection.

BUDGET ISSUES: The Secretary of State requests the following:

- An increase of \$9,000 to cover the costs of travel, room rental and related expenses associated with conducting training conferences and other meetings with election officials, recounts, pre-election testing of voting equipment and post-election testing of voting equipment.
- An increase of \$5,000 for costs related to Geographical Information System (GIS) plotter supplies.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: SECRETARY OF STATE
Program: SECRETARY OF STATE
Activity: ELECTION ADMINISTRATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	271	301	331	378	378	378	391	391	391
OPERATING EXPENSES	328	139	504	488	502	288	385	399	385
SUBTOTAL STATE OPERATIONS	599	440	835	866	880	666	776	790	776
LOCAL ASSISTANCE	0	0	2	3,302	3,302	2	2	2	2
Total Expenditures	599	440	837	4,168	4,182	668	778	792	778
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) GIS COSTS	GEN				5			5	
(B) TRAINING FOR ELECTION OFFICIALS	GEN				9			9	
(B) REPEAL OF PRESIDENTIAL PRIMARY	GEN					(3,500)			
Total Change Items					14	(3,500)		14	
<u>FINANCING BY FUND:</u>									
CARRY FORWARD:									
GENERAL	0	0	0	100	100	100	0	0	0
DIRECT APPROPRIATIONS:									
GENERAL	599	440	835	4,066	4,080	566	776	790	776
STATUTORY APPROPRIATIONS:									
AGENCY	0	0	2	2	2	2	2	2	2
Total Financing	599	440	837	4,168	4,182	668	778	792	778
<u>REVENUE COLLECTED:</u>									
DEDICATED									
AGENCY	0	0	2	2	2	2	2	2	2

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: SECRETARY OF STATE

Program: SECRETARY OF STATE

Activity: ELECTION ADMINISTRATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
NONDEDICATED									
CAMBRIDGE DEPOSIT FUND	66	2	71	1	1	1	81	81	81
AGENCY	0	0	2	2	2	2	2	2	2
Total Revenues Collected	66	2	75	5	5	5	85	85	85
FTE BY EMPLOYMENT TYPE:									
FULL TIME	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Total Full-Time Equivalent	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Secretary of State
PROGRAM: Secretary of State
ACTIVITY: Elections

ITEM TITLE: Repeal the Presidential Primary

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(198)	\$-0-	\$-0-	\$-0-
Local Assistance	\$(3,302)	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No ____

If yes, statutes(s) affected: M.S. 207A

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the state presidential primary law be repealed.

RATIONALE:

A Minnesota presidential primary would be held the first Tuesday in April 2000 under current law. The Secretary of State's base budget includes a \$3.5 million adjustment to reimburse cities and counties for the cost of conducting the primary. Since the results of the primary are non-binding, there is debate about whether the primary would be meaningful in selecting Minnesota's delegates to the national conventions, or in determining which candidates Minnesota will support. The Governor recommends that the presidential primary be repealed.

OUTCOMES:

It is likely that national delegates from Minnesota would be selected based on the results of the traditional precinct caucus regardless of the presidential election.

2000-01 Biennial Budget

AGENCY: Campaign Finance and Public Disclosure Board

AGENCY DESCRIPTION:

The Campaign Finance and Public Disclosure Board is the agency that implements M.S. Ch. 10A, the Ethics in Government Act, which requires:

- registration and public disclosure by candidates, political committees and funds,
- registration and public disclosure by lobbyists attempting to influence state legislative action, administrative action, and the official action of metropolitan governmental units,
- disclosure of economic interests, conflicts of interest, and representation of a client for a fee under circumstances defined in Minnesota Chapter 14 and M.S. 216B.243 for certain state and metropolitan officials; and
- the administration of the state's public subsidy program, a program which provides public funding to qualified state candidates and to the state committee of a political party and allows those candidates and parties to give political contribution refund receipts to campaign contributors.

PERFORMANCE SUMMARY:

- No candidate committee violated the statute requiring disclosure of certain large contributions and loans received by the committee prior to the pre-primary and pre-general election within 48 hours of their receipt.
- The board developed a database for input of filed disclosure. An annual draft Supplementary Statement of Economic Interest showing previously disclosed information is provided to each official prior to the filing deadline. This assists the official in filing a more accurate report of their economic interests.

REVENUES:

The board collects non-dedicated General Fund revenue from late filing fees and civil fines. It collects dedicated revenue for the state general election account from anonymous contributions to political committees and political funds and certain other funds which, by law, cannot be carried forward to the next election cycle. In addition, both the General Fund or the special revenue fund may receive gifts from political committees upon termination. Revenues from these sources are generally higher during an election year. Estimates for General Fund revenue are as follows: F.Y. 2000, \$37,000; F.Y. 2001, \$78,000.

EXPLANATION OF AGENCY'S BUDGET PLAN:

Approximately 84% of the board's operating budget is for employee salaries and fringe expenses; 8% is for office and copier rental; and 8% is for board per diem and travel expenses, supplies, and other operational expenses.

A 3% adjustment for operational expenses for small agencies and a 3% adjustment for potential employment contract increases has been included for F.Y. 2000-01. Additionally, a 13% increase is included for office space rental based on Department of Administration lease rates for F.Y. 2000-01.

The board has a deficiency request of \$15,000 for F.Y. 1999. This amount represents legal fees owed as a result of losing a legal case. The board does not have a budget for legal fees and lacks flexibility in its planned operations to pay the fees. The issue litigated was the constitutionality of prohibiting commercial use of board-collected information (M.S. 10A.02, subd. 8e). The plaintiff, Legal Ledger, Inc., prevailed.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments: a biennial increase in funding of \$404,000 and 1 position for upgrading the agency's campaign finance reporting software product. The Governor recommends funding the board's F.Y. 1999 deficiency request.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: CAMPAIGN FIN. & PUB. DISC. BD.

Program: CAMPAIGN FINANCE & PUBLIC DISC

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
CAMPAIGN FINANCE & PUBLIC DISC	485	552	539	501	712	514	707	328	30.1%
PUBLIC FINANCING	4,130	99	4,157	147	147	3,885	3,885	(224)	-5.3%
Total Expenditures	4,615	651	4,696	648	859	4,399	4,592	104	1.9%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) DEFICIENCY REQUEST	GEN	15			
(B) INFORMATION RESOURCES SUPPORT	GEN		211		193
Total Change Items		15	211		193

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	485	552	539	501	712	514	707
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	4,130	99	4,157	147	147	3,885	3,885
Total Financing	4,615	651	4,696	648	859	4,399	4,592

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	7.8	7.8	7.8	7.8	8.8	7.8	8.8
PART-TIME, SEASONAL, LABOR SER	0.6	0.2	0.2	0.2	0.2	0.2	0.2
Total Full-Time Equivalent	8.4	8.0	8.0	8.0	9.0	8.0	9.0

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **CAMPAIGN FIN. & PUB. DISC. B**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	630	4,368	483	483	147	3,885	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	4	4	4	4	0	0	0	0
SMALL AGENCY OPERATIONAL EXPE	2	3	2	3	0	0	0	0
2000-01 SAL. & BEN. BASE	12	24	12	24	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	18	31	18	31	0	0	0	0
BASE BUDGET	648	4,399	501	514	147	3,885	0	0

F.Y. 2000-2001 Information Technology New Funding

AGENCY: CAMPAIGN FIN. & PUB. DISC. BD.

PROGRAM: CAMPAIGN FINANCE & PUBLIC DISC

ACTIVITY: CAMPAIGN FINANCE & PUBLIC DISC

IT Change Item: INFORMATION RESOURCES SUPPORT

ITEM DESCRIPTION AND PURPOSE:

To establish a new information technology staff position and complete related infrastructure improvements and to plan, design, develop, and implement a major upgrade of the agency's campaign finance software product for use in 2002 elections.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	40	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	5	0	0	0	0	0
Personnel	60	60	60	60	60	60
Services	100	130	0	0	0	0
Software	3	1	0	0	0	0
Supplies	0	2	0	0	0	0
Training	3	0	0	0	0	0
Total	211	193	60	60	60	60

This change item consists of the following: a base increase of \$60,000 for a new position; a one time appropriation of \$50,000 for infrastructure, including re-partitioning of existing space; and a one time appropriation of \$234,000 for the software application upgrade, to be available for the project until expended, or until the end of FY 2003, whichever comes first. If the new position is funded, the agency will discontinue an existing .40 clerical position for a savings of approximately \$9,000 per year, not reflected in the figures presented in this document.

The most important stakeholders in this project are treasurers of political committees and the public, often as represented by the media. Secondary stakeholders include public officials, candidates, lobbyists, other state agencies, and board staff.

The focus of the project is on better support for the board's campaign finance programs and, in particular, on support and development of its campaign finance software product.

This project supports the board's beliefs that public confidence in state government decision making is promoted by ensuring timely public access to information; that compliance with campaign finance law can be made easier through use of technology; and that a primary board responsibility is to provide high quality client service.

The project will continue the board's efforts to provide easy and free access for treasurers to the only standard software application that is available for Minnesota campaign finance and will enhance the public's ability to easily access board information. The board believes that better informed citizens can participate more fully and meaningfully in the political process and that such participation results in an improved quality of life. Key to providing citizens with timely and accurate information are the software tools that allow acquisition of the information once it is received. This project will provide both of these resources.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: CAMPAIGN FINANCE AND PUBLIC DISCLOSURE
IT Change Item: Information Resources Support
(Continuation)

RATIONALE:

The board's programs and initiatives have exceeded the level of staff resources available to adequately support them. The establishment of a new information resources position, at a sufficiently high level of skill and responsibility, will allow the board to continue to maintain and improve the management of its information and, thus, the delivery of its programs.

The new position will provide a staff member responsible for information technology tasks which are not provided for in the board's current staffing complement. Skills not currently available include high level programming, database design, project management, and internet programming. The new position will have primary responsibility for support and development of the board's campaign finance software application.

The campaign finance software was developed with limited funds and in a limited time frame in order to make it available for the 1998 elections. These facts required development of a limited application which does not include all of the features or functionality users have asked for. Advances in technology will affect the agency's ability to maintain the application into the future if it is not kept up to date. The upgrade proposed in this project will not be operational until FY 2002, when the existing application will be four years old. The upgrade project will develop the application to its full potential and ensure that it will remain viable into the future.

The upgrade will migrate the application to a 32-bit environment using current technology; provide a more robust application with better internet integration, a better user interface, and overall improved functionality; provide redesigned data structures to facilitate the archiving of electronic records; and make the application and its database structures more open to outside developers and users so that they can add enhancements.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X	X			
Operations			X	X	X	X
Modification			X	X		
Retirement						

Pre-planning has occurred as a result of the development of the current campaign finance software. It will continue as the agency's experience with the software grows.

Design of the software upgrade will begin in the second half of FY 2000, after the new staff person has learned the agency's business. Development will occur during FY 2001 and into FY 2002. The software will become operational during the first half of FY 2002, so that users will be operating the new application at the beginning of the 2002 election year.

Operation and enhancement are expected during the first year of operation and following the year-end processing. Thereafter, the new staff person will provide ongoing support and minor enhancements.

OFFICE OF TECHNOLOGY ANALYSIS:

The Board has continued to endorse and is a leader in information resource management among smaller agencies. Customer expectations and requirements for receiving and reporting campaign finance data have increased dramatically but the board currently has limited technology and staff.

OT Master Plan: Goal 1-Technically literate and competent society, Goal 2-Efficient and effective government, Goal 3-Easy and affordable access. The project would provide staff and enhance the existing Internet-based campaign finance filing system started in the previous biennium. Recommendation: Proceed with staff addition and software upgrade. OT supports this project.

GOVERNOR'S RECOMMENDATION:

The Governor recommends this change item as requested by the agency.

2000-01 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 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 of calling special sessions of the legislature when needed. The Governor is responsible for the biennial budget and its presentation to the legislature.

PERFORMANCE SUMMARY:

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

The Governor's Office is organized to effectively administer the duties of Chief Executive. Major duties of the Governor are to:

- oversee and provide leadership for the day-to-day operations 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;
- participate with other governors in the National Governors' Association, sharing information and developing new ideas for government reform and implementation of policy initiatives;
- appoint citizens to state boards and commissions and appoint judges for all court systems when vacancies occur; and
- perform all other duties as specified by the laws of the state.

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). The Governor's Office encompasses all levels of support that make it possible for the Lieutenant Governor to fulfill delegated responsibilities. Major duties of the Lieutenant Governor are to:

- serve to promote an effective K-12 education system accountable for student achievement;
- chair the Capitol Area Architectural Planning Board;
- serve as a member of the Executive Council; and
- carry out all other gubernatorial assignments.

OPERATING ENVIRONMENT:

The executive operations of the Governor's Office are focused on:

- the management of state government: examining, measuring and reforming government service delivery to ensure affordable government;
- establishing quality and customer-driven systems which eliminate overlapping services and the attendant citizen confusion;
- encouraging sustainable economic development and incentives for job growth;
- establishing measurable and achievable goals for education;
- maintaining a quality of life that emphasizes generally available health care, environmental protection and a safe, non-violent society.

2000-01 Biennial Budget

AGENCY: Governor's Office
(Continuation)

ORGANIZATIONAL STRUCTURE:

GOVERNOR AND LIEUTENANT GOVERNOR		
Chief of Staff and Executive Management		
Executive Operations		
Administration Management	24.0 fte	
Communications	7.0 fte	
Constituent Services and Appointments	8.0 fte	
Legislative	6.0 fte	
Governor's Residence	8.0 fte	
Washington Office	2.0 fte	
6/30/98 TOTAL FTEs 55.0		

GOVERNOR'S RECOMMENDATIONS:

The Governor's general recommendations for other constitutional officers reflects his firm commitment to minimizing the overall growth of government and the resulting tax burden on Minnesota taxpayers. Therefore, the Governor recommends funding to maintain the existing level of appropriations previously established by the legislature and increasing that level only for salary and non-salary inflation.

The Governor recommends \$255,000 for salary inflation and \$100,000 for non-salary inflation for the Governor's Office in adherence with the same budget restraints and targeted funding levels as other constitutional officers.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: GOVERNORS OFFICE

Program: GOVERNOR'S OFFICE

Activity: GOVERNOR'S OFFICE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2.469	2.571	2.837	2.922	2.922	2.922	3.007	3.007	3.007
OPERATING EXPENSES	1.178	979	1.355	1.097	1.097	1.130	1.097	1.097	1.164
SUBTOTAL STATE OPERATIONS	3.647	3.550	4.192	4.019	4.019	4.052	4.104	4.104	4.171
Total Expenditures	3.647	3.550	4.192	4.019	4.019	4.052	4.104	4.104	4.171
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) NON-SALARY INFLATION	GEN					33			67
Total Change Items						33			67
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	3.647	3.550	4.150	4.019	4.019	4.052	4.104	4.104	4.171
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	0	0	35	0	0	0	0	0	0
GIFT	0	0	7	0	0	0	0	0	0
Total Financing	3.647	3.550	4.192	4.019	4.019	4.052	4.104	4.104	4.171
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	0	0	35	0	0	0	0	0	0
GIFT	0	0	4	0	0	0	0	0	0
NONDEDICATED									
GENERAL	4	6	6	6	6	6	6	6	6
Total Revenues Collected	4	6	45	6	6	6	6	6	6

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: GOVERNORS OFFICE

Program: GOVERNOR'S OFFICE

Activity: GOVERNOR'S OFFICE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
FULL TIME	47.1	46.8	55.0	55.0	55.0	55.0	55.0	55.0	55.0
PART-TIME, SEASONAL, LABOR SER	1.5	0.9	0.7	0.4	0.4	0.4	0.4	0.4	0.4
OVERTIME PAY	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	48.6	47.8	55.7	55.4	55.4	55.4	55.4	55.4	55.4

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: GOVERNORS OFFICE

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	3,884	3,884	3,884	3,884	0	0	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	50	50	50	50	0	0	0	0
2000-01 SAL. & BEN. BASE	85	170	85	170	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	135	220	135	220	0	0	0	0
BASE BUDGET	4,019	4,104	4,019	4,104	0	0	0	0

2000-01 Biennial Budget

AGENCY: Government Innovation and Cooperation Board

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 senators and 3 members of the house of representatives. The board's authorizing statutes are M.S. § 465.795 - 465.88.

The board provides incentives for innovation and intergovernmental cooperation in the delivery of local services. The board waives administrative rules, and grants exemptions from enforcement of procedural laws, enabling local governments to develop more efficient and effective means of achieving outcomes. The board promotes locally-driven initiatives to merge local governments and provides aid to help overcome financial barriers to mergers 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, along with statewide local government associations, initiated a conference on "Innovations: Bright Ideas In Local Government," which is cosponsored by 19 organizations and academic institutions.

The board monitors over 100 pilot projects throughout the state. The board actively encourages other local governments to replicate successful pilot projects. When recipients of waivers and exemptions achieve the desired outcomes more effectively or efficiently, the board advocates that the rules and laws be amended to enable all local governments to take advantage of the improved processes.

PERFORMANCE SUMMARY:

During the current biennium, the board has awarded \$720,000 in grants to 13 projects involving 103 local governments and non-profit corporations. It has awarded 8 waivers/exemptions from rules and laws. It has provided \$939,770 in financial assistance to 6 pairs of local governments to help overcome fiscal barriers to their mergers. It has awarded planning grants to 3 pairs of local governments that have expressed interest in merging. It has hosted 15 local government forums

throughout the state. It continues to actively monitor the progress of 93 projects that have received grants and/or waivers and exemptions from the board during previous bienniums. The majority of these pilot projects have successfully developed a more effective or efficient service delivery process. For example, a waiver and exemption granted to Itasca County has enabled the county to experiment with a managed care system for providing chemical dependency treatment services, saving the state and county over \$150,000 annually.

REVENUE SUMMARY:

The board collect no revenues.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The board's current budget and base budget for the 2000-01 biennium is summarized below. The majority of the agency's funding is passed through to local units of government in the form of grants for additional pilot projects and aid for local governments that agree to merge into a single, more efficient unit of government. The board maintains a total complement of 2 staff positions.

	(Dollars in Thousands)			
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Salaries and Operating Expenditures	\$132	\$162	\$154	\$158
Competitive Pilot Project Grants	645	75	360	360
Cooperation and Combination Aid	522	725	470	470
Merger Planning Grants	-0-	60	30	30
TOTAL	\$1,299	\$1,022	\$1,014	\$1,018

GOVERNOR'S RECOMMENDATION:

The Governor recommends eliminating the Government Innovation and Cooperation Board. The Governor believes that local governments benefit from innovative and cooperative efforts and that these types of activities will continue to take place without the state's financial support.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: GOV'T INNOV & COOP BOARD
Program: GOVT INNOVATION & COOPERATION
Activity: GOVT INNOVATION & COOPERATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	128	122	124	128	0	132	0	(246)	-100.0%
OPERATING EXPENSES	19	10	38	26	0	26	0	(48)	-100.0%
SUBTOTAL STATE OPERATIONS	147	132	162	154	0	158	0	(294)	-100.0%
LOCAL ASSISTANCE	1,175	1,167	860	860	0	860	0	(2,027)	-100.0%
Total Expenditures	1,322	1,299	1,022	1,014	0	1,018	0	(2,321)	-100.0%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) ELIMINATE THE BOARD	GEN			(1,014)	(1,018)
Total Change Items				(1,014)	(1,018)

<u>FINANCING BY FUND:</u>					
DIRECT APPROPRIATIONS:					
GENERAL	1,322	1,299	1,022	1,014	0
Total Financing	1,322	1,299	1,022	1,014	0

<u>REVENUE COLLECTED:</u>					
NONDEDICATED					
GENERAL	16	17	10	0	0
Total Revenues Collected	16	17	10	0	0

<u>FTE BY EMPLOYMENT TYPE:</u>					
FULL TIME	2.3	2.0	2.0	2.0	0.0
PART-TIME, SEASONAL, LABOR SER	0.1	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	2.4	2.0	2.0	2.0	0.0

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: GOV'T INNOV & COOP BOARD

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	1,009	1,009	1,009	1,009	0	0	0	0
BASE ADJUSTMENTS								
SMALL AGENCY OPERATIONAL EXPE	1	1	1	1	0	0	0	0
2000-01 SAL. & BEN. BASE	4	8	4	8	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	5	9	5	9	0	0	0	0
BASE BUDGET	1,014	1,018	1,014	1,018	0	0	0	0

2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

AGENCY: State Auditor, Office of	PAGE
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 PROGRAMS, BUDGET ACTIVITIES, AND CHANGE ITEMS	
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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: State Auditor, Office of (OSA)

MISSION AND VISION:

The mission of the Office of the State Auditor (OSA) is to serve as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in the over 4,300 governmental entities throughout the state.

The vision of the OSA is to perform professional reviews of financial statements, documents, and reports submitted to the Office, making consistent comments on financial accuracy and legal compliance, while adhering to accounting standards.

KEY SERVICE STRATEGIES:

The OSA uses the following strategies in pursuit of its mission and vision:

Examining whether local government resources are spent in an appropriate manner. The Audit Practice Division performs audits, attests to the accuracy of financial statements, ensures compliance with applicable laws and regulations, establishes uniform reporting standards, and provides technical assistance and education to strengthen accounting practices and improve operating efficiency at the local level. The primary function of all of the other divisions is to also oversee and ensure that local government funds are used for the purposes intended by law.

Developing innovative methods to provide quality services. The OSA strives to assist local governments in identifying ways to improve services. The challenge is to identify and foster innovations in quality, cost-effective services and to explore new methods to disseminate the data and information collected, so it is readily accessible to citizens and local officials.

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

- monitoring local government entities for accountability regarding the size and proper expenditures of their tax dollars;
- Working with local units of government to find the most efficient and cost-effective methods to spend tax dollars;

- establishing uniform reporting standards and providing technical assistance to strengthen local accounting practices; and
- promoting compliance with Minnesota law and investigating allegations of improper expenditures or conduct in local units of government.

OPERATING ENVIRONMENT:

The following factors have increased the demands on the services of the OSA:

- compliance with new legislative mandates,
- compliance with new federal auditing guidelines coupled with over a 20% increase in audits performed,
- increase in investigating complex cases involving the misuse of local funds, and
- increase in demand for basic technological capabilities to aid in filing, compiling, and analyzing financial data.

ORGANIZATION/PROGRAM STRUCTURE:

STATE AUDITOR AND CONSTITUTIONAL OFFICE		4.0 fte
Audit Practice Division		
	Central Office Staff	19.5 fte
	Field Office Staff -- 11 offices	83.0 fte
Pension Oversight Division		7.0 fte
Special Investigations Division (Includes 2 law clerks)		8.5 fte
Government Information (Research) Division		9.0 fte
Tax Increment Financing Division		4.0 fte
6/30/98 TOTAL FTEs		135.0 fte

**2000-01 Biennial Budget
Agency Executive Summary**

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

GOVERNOR'S RECOMMENDATIONS:

Historically, the courts, the legislature, and other constitutional officers have departed somewhat from general 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 without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature it is necessary to identify funding for those offices as part of preparing a completed and balanced budget.

The Governor's general recommendations for the constitutional offices reflect his firm commitment to minimizing the overall growth of government and the resulting tax burden on Minnesota taxpayers. Therefore, the Governor recommends funding to maintain the existing level of appropriations previously established by the legislature and recommends increasing that level only for salary and non-salary inflation. The effect of this overall level of funding should effectively allow this office to provide the same level of service as in the current year. Discretionary increases in the level of services provided should be reallocated from within the base budget.

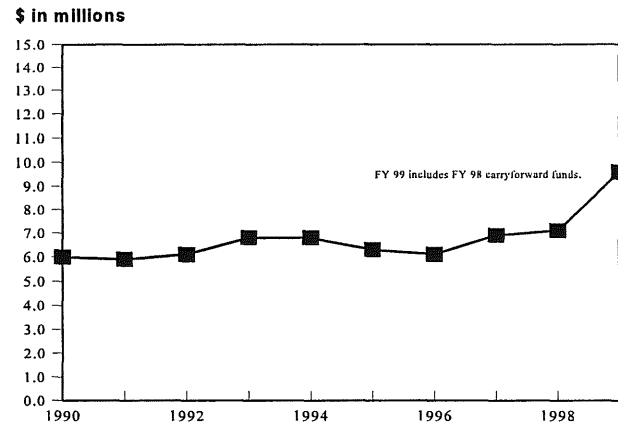
For the Office of the State Auditor, the Governor's recommendation includes \$564,000 for salary inflation and \$104,000 for non-salary inflation. The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the State Auditor to expand the activities of this office.

**2000-01 Biennial Budget
Agency Executive Summary**

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

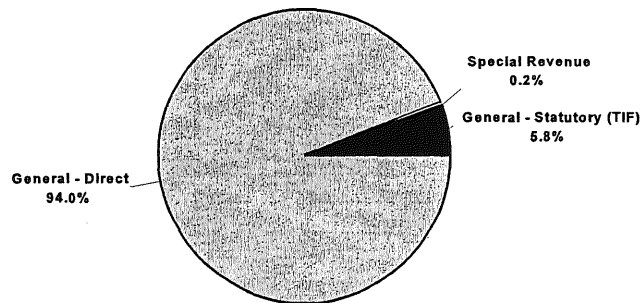
TRENDS AND PERSPECTIVE:

1990-99 Expenditures - All Funds



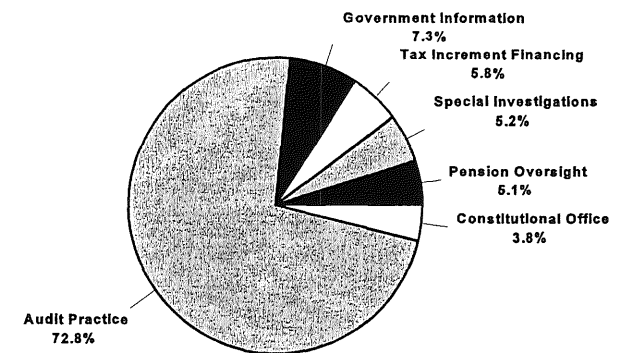
1998-99 Expenditures by Fund

Total \$16.6 million



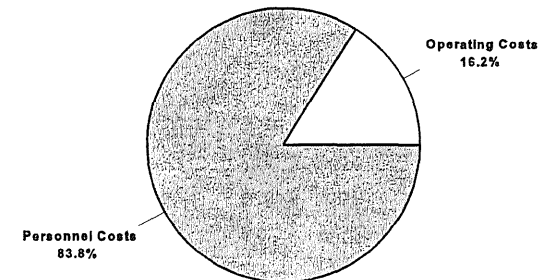
1998-99 Expenditure by Activity

Total \$16.6 million



1998-99 Expenditures by Category

Total \$16.6 million



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE AUDITOR

Program: STATE AUDITOR

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY ACTIVITY:</u>									
AUDIT PRACTICE	5.302	5.411	6.682	6.289	6.954	6.289	6.445	7.254	6.445
SPECIAL INVESTIGATIONS	340	355	501	441	539	441	451	549	451
GOVERNMENT INFORMATION DIV	502	429	792	632	757	632	643	768	643
PENSION OVERSIGHT	239	313	534	465	612	465	465	612	465
CONSTITUTIONAL OFFICE	292	295	332	327	327	361	336	336	406
TAX INCREMENT FINANCING	234	234	738	674	674	674	726	726	726
Total Expenditures	6.909	7.037	9.579	8.828	9.863	8.862	9.066	10.245	9.136
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) AUDIT STAFF RETENTION/COMPENSATION	GEN				585			735	
(B) HUMAN RESOURCES STAFFING NEEDS	GEN				80			74	
(B) INVESTMENT OVERSIGHT OF PUBLIC PENSION	GEN				147			147	
(B) RESEARCH & INFORMATION STAFFING	GEN				125			125	
(B) SPECIAL INVESTIGATIONS COMPLEX CASES	GEN				98			98	
(B) NON-SALARY INFLATION	GEN					34			70
Total Change Items					1.035	34		1.179	70
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	6.670	6.791	8.827	8.137	9.172	8.171	8.331	9.510	8.401
STATUTORY APPROPRIATIONS:									
GENERAL	0	234	728	669	669	669	721	721	721
SPECIAL REVENUE	239	12	24	22	22	22	14	14	14
Total Financing	6.909	7.037	9.579	8.828	9.863	8.862	9.066	10.245	9.136

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE AUDITOR

Program: STATE AUDITOR

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	108.2	114.9	136.7	138.9	138.9	138.9	136.9	136.9	136.9
PART-TIME, SEASONAL, LABOR SER	3.3	2.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5
OVERTIME PAY	1.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Total Full-Time Equivalent	112.5	119.0	142.3	144.5	144.5	144.5	142.5	142.5	142.5

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: State Auditor, Office of

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$7,916	\$7,916	\$15,832
<u>BASE ADJUSTMENT</u>			
2000-01 Salary & Benefit Increase	\$186	\$378	\$564
Uniform Pension Bill Reductions	(9)	(9)	(18)
Documented Space Rent/Lease Increase	37	39	76
Statewide Administrative System	7	7	14
<u>BASE LEVEL (for 2000 and 2001)</u>	\$8,137	\$8,331	\$16,468
<u>REQUEST ITEMS</u>			
Human Resources Staffing Needs	80	74	154
Special Investigations Complex Cases	98	98	196
Research & Technology Staffing	125	125	250
Investment Oversight of Public Pension Funds	147	147	294
Salary Equity and Staffing for Audit Practice	<u>585</u>	<u>735</u>	<u>1,320</u>
AGENCY REQUEST	\$9,172	\$9,510	\$18,682
<u>GOVERNOR'S RECOMMENDATION</u>			
Non-salary inflation	<u>34</u>	<u>70</u>	<u>104</u>
GOVERNOR'S RECOMMENDATION	\$8,171	\$8,401	\$16,572

Brief Explanation of Budget Decisions:

- In this biennium, the Office of the State Auditor will spend approximately 77% of the base budget on the function of auditing local units of government.
- The remaining 23% of direct appropriated funds provide for the other primary functions of the Office, including special investigations, pension oversight for police and fire pension funds, the collection of local government information, and executive level planning, management, and oversight.

- Changes to the base include compensation-related adjustments of 3.0% per year, documented increases in rent, and reductions for pension contributions as directed in the budget guidelines.
- No statutory fee increases are requested for the biennium.
- The Audit Practice Division's request includes funding for a human resources director and increasing salaries to aid in hiring and stem attrition of qualified staff.
- The Special Investigations Division's request includes funding to meet the continued growth in the number of complex and time consuming cases.
- The request for the Pension Oversight Division includes funding for expanded oversight of pension fund investment performance monitoring, research activities, training, and outreach coordination.
- The Government Information Division's request includes funding for the collection, analysis, and maintenance of the OSA's financial data, including technology needs.

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed somewhat from general budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of power and the desire of other elected state officials to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature it is necessary to identify funding for those offices as part of preparing a completed and balanced budget.

**2000-01 Biennial Budget
Agency Budget Brief**

Agency: State Auditor, Office of
(Continuation)

Fund: General

The Governor's general recommendations for the constitutional offices reflect his firm commitment to minimizing the overall growth of government and the resulting tax burden on Minnesota taxpayers. Therefore, the Governor recommends funding to maintain the existing level of appropriations previously established by the legislature and recommends increasing that level only for salary and non-salary inflation. The effect of this overall level of funding should effectively allow this office to provide the same level of service as in the current year. Discretionary increases in the level of services provided should be reallocated from within the base budget.

For the Office of State Auditor, the Governor's recommendation includes \$564,000 for salary inflation and \$104,000 for non-salary inflation.

The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the State Auditor to expend the activities of this office.

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**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: State Auditor, Office of (OSA)

REVENUE SOURCES:

The Office of the State Auditor generates a major source of revenue, a non-dedicated receipt, based upon the statutory requirements in M.S. 6.58 that the OSA specifically recover its audit costs. This non-dedicated revenue is generated through audit fees charged by the Audit Practice Division for its examinations of the financial statements of local government entities. Funds collected by Audit Practice are deposited in the Cambridge Deposit Fund and are expected to total \$5.9 million in F.Y. 1999. Unlike audit fees, other sources of revenue which offset the OSA's appropriations are not classified as "departmental earnings" and are listed as follows:

- The review of single audit reports by the Audit Practice Division is supported by reimbursements to the General Fund through the statewide indirect cost process managed by the Department of Finance.
- The Government Information Division and Pension Oversight Division are supported in part through reductions to aid distributions made by the Department of Revenue for local government aids and peace officers and fire state aids pursuant to M.S. 477A.014, Subd. 4 and M.S. 69.021, Subd. 5, respectively.
- The Tax Increment Financing Division is funded by 0.25% of tax increment distributed to authorities that administer TIF districts. Payments made to the State Treasurer by county treasurers are transferred to the OSA.
- The OSA also generates some revenue through an interagency agreement with the Minnesota Department of Transportation, the sale of documents and accounting software, and by conducting training seminars and conferences.

FEE STRUCTURE:

M.S. 6.58 requires that the OSA recover the costs of conducting audits; therefore, audit work is billed on an hourly basis, plus reimbursable travel expenses. 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.

RECENT CHANGES:

In the 1998-99 biennium, audit client fees did not increase due to a continued effort to provide quality audit services in the most cost efficient manner possible. However, the 1998 Legislature increased the TIF enforcement deduction rate from 0.10% to 0.25% of tax increment.

FORECAST BASIS:

Revenue from audit work and offsetting expenditures are based upon the estimated time required to complete the Office of the State Auditor's annual audits. Fees are expected to be sufficient to meet the Office's audit requirements during F.Y. 1999.

The Office will review, during the 2000-01 biennium, the level of fees charged to clients to meet our statutory requirement to recover our costs, while managing the amount in the departmental earnings accumulated fund balance. Any change in rates would be implemented by the State Auditor adjusting the schedule of charges, after reviewing annual costs of examinations in conjunction with the Commissioner of Finance. The Audit Practice Division will strive to hold the current rates constant.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE AUDITOR

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
DEPARTMENTAL EARNINGS:									
CAMBRIDGE DEPOSIT FUND	4,973	5,755	5,903	5,910	5,910	5,915	5,915	167	1.4%
OTHER REVENUES:									
GENERAL	28	0	12	12	12	12	12	12	100.0%
TAXES:									
GENERAL	0	2	0	0	0	0	0	(2)	-100.0%
Total Non-Dedicated Receipts	5,001	5,757	5,915	5,922	5,922	5,927	5,927	177	1.5%
DEDICATED RECEIPTS:									
OTHER REVENUES:									
SPECIAL REVENUE	2	16	16	20	20	11	11	(1)	-3.1%
Total Dedicated Receipts	2	16	16	20	20	11	11	(1)	-3.1%
Agency Total Revenues	5,003	5,773	5,931	5,942	5,942	5,938	5,938	176	1.5%

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The Audit Practice Division plays a primary role in the OSA's ability to perform its oversight functions by inquiring into the budgeting and accounting systems of local governments. This division helps ensure integrity, accountability and cost-effectiveness at the local level by conducting financial and legal compliance audits for 86 counties; the cities of Duluth, Minneapolis and St. Paul; organizations affiliated with counties and cities; other local entities; and Hennepin County (limited compliance audit).

In addition to auditing for evidence of inappropriate expenditures, this division examines for financial and legal compliance to provide local governments with an independent analysis of the effectiveness of their organization. The legal compliance component of audits determines whether local government activities are being administered in accordance with certain Minnesota laws, and the management letter that accompanies each audit provides suggestions on how local governments might improve the effectiveness and efficiency of their operations.

In addition, this division annually reviews approximately 450 single audit reports submitted by cities, counties, school districts, nonprofit agencies, regional development commissions, housing redevelopment authorities and other agencies for compliance with federal reporting requirements and generally accepted government auditing standards. The OSA issues a report on the findings of these reviews to the U.S. Department of Agriculture (federal cognizant agency for single audit), Department of Finance, the Legislative Auditor, and state agencies receiving federal funding.

STRATEGIES AND PERFORMANCE:

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

- The OSA plans to issue over 265 audit reports of counties, cities, organizations affiliated with counties and cities, and other local governments during each of the 1999, 2000, and 2001 fiscal years ending June 30. In order to comply with the new federal reporting deadline, single audits will have to be issued by the OSA within 9 months after each entity's fiscal year end, as opposed to the current 13 month schedule.

- Audit Practice remains committed to its client service objective. The division will continue to work with clients on how they can assist in the audit process, to download data for staff analysis at field offices, and to take advantage of the experience of OSA staff auditors.
- Joint OSA staff and client education programs will be conducted by the division on local government accounting and audit procedures to help improve audit efficiency and local government accounting practices. Client education will be of vital importance as accounting standards adopted by the Governmental Accounting Standards Board are implemented which may fundamentally change the overall accounting practices of local government.
- The OSA participates in a Peer Review program conducted by an outside review team under the auspices of the National State Auditors' Association to maintain and improve the quality of our audits. The purpose of the Peer Review is to report on the OSA's system of audit quality control and its compliance with established policies and procedures and applicable auditing standards.

FINANCING INFORMATION:

By statute, the Office of the State Auditor must recover all of its direct costs of audit examinations through fees charged to audit clients. These non-dedicated revenues are deposited in the Cambridge Deposit Fund.

The following is a summary of the estimated revenues for F.Y. 1999-2003:

Dollars in Thousands				
<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
\$5,903	\$5,910	\$5,915	\$5,920	\$5,925

BUDGET ISSUES:

The Audit Practice Division faces the challenge of providing a high level of quality, competitive audit services in a cost effective manner. Audit staff must actively seek ways to 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 principles and procedures. The application of computerized financial packages and auditing methods must also be developed and implemented on a continual basis to improve the efficiency of the financial reporting and auditing process.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE AUDITOR

Program: STATE AUDITOR

Activity: AUDIT PRACTICE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	4.582	4.846	5.700	5.707	6.283	5.707	5.860	6.560	5.860
OPERATING EXPENSES	720	565	982	582	671	582	585	694	585
SUBTOTAL STATE OPERATIONS	5.302	5.411	6.682	6.289	6.954	6.289	6.445	7.254	6.445
Total Expenditures	5.302	5.411	6.682	6.289	6.954	6.289	6.445	7.254	6.445
<u>CHANGE ITEMS:</u>									
	<u>FUND</u>								
(B) AUDIT STAFF RETENTION/COMPENSATION	GEN				585			735	
(B) HUMAN RESOURCES STAFFING NEEDS	GEN				80			74	
Total Change Items					665			809	
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	5.300	5.407	6.678	6.285	6.950	6.285	6.441	7.250	6.441
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	2	4	4	4	4	4	4	4	4
Total Financing	5.302	5.411	6.682	6.289	6.954	6.289	6.445	7.254	6.445
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	2	4	4	4	4	4	4	4	4
NONDEDICATED									
GENERAL	0	0	2	2	2	2	2	2	2
CAMBRIDGE DEPOSIT FUND	4.973	5.755	5.903	5.910	6.035	5.910	5.915	6.040	5.915
Total Revenues Collected	4.975	5.759	5.909	5.916	6.041	5.916	5.921	6.046	5.921

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE AUDITOR

Program: STATE AUDITOR

Activity: AUDIT PRACTICE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	84.7	88.3	101.2	102.2	102.2	102.2	100.2	100.2	100.2
PART-TIME, SEASONAL, LABOR SER	3.3	1.9	3.4	3.4	3.4	3.4	3.4	3.4	3.4
OVERTIME PAY	1.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Total Full-Time Equivalent	89.0	92.3	106.7	107.7	107.7	107.7	105.7	105.7	105.7

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Audit Practice Staff Retention, Recruitment, and Compensation

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund*				
- State Operations	\$585	\$735	\$735	\$735
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

*Non-Executive Branches of Government

RATIONALE:

The OSA is experiencing a significant level of turnover due to labor shortages and the active recruitment of audit staff by other employers. Qualified accountants are in demand and competition for current professionals and recent graduates among private accounting firms and other governmental units has intensified. Salaries for prospective and recently-hired auditors must be increased to aid in recruiting audit staff and to stem current high attrition rates. This is imperative if we are to avoid any reduction in our long-standing high quality service and volume of work we now provide local governmental units.

As of December 1998, the Audit Practice Division is 10 full-time auditors short of what is needed to staff the division and meet our regular audit requirements.

Federal mandates affecting audit deadlines magnify our staffing problem. Congress recently modified the Single Audit Act, accelerating the required audit schedule by 4 months.

This request will add funding for step increases to make salaries offered by the OSA more commensurate with salary levels in the general accounting profession and will provide entry-level auditors with a higher starting salary. The request includes an offset adjustment to compensate for effects of pro-rata salary supplements against an FTE base eroded by attrition and staff shortages.

Recruitment efforts must be enhanced by offering higher entry-level salaries to reduce the public/private gap for accountants. With this increase, it is anticipated that the OSA's starting salary for auditors should be sufficient to address the immediate issue of attracting quality candidates to fill current vacancies. The OSA offers an excellent opportunity to learn complex governmental accounting standards and to participate in a variety of professional continuing education programs, and supports its auditors as they prepare and sit for the CPA exam. The OSA's clients not only expect, but deserve, the adherence to the highest audit standards and professional practice that the OSA can provide. To obtain the quality, professional staff necessary to provide such service, the OSA must be more competitive in the initial salaries we offer.

FINANCING:

This request would be funded in the General Fund; however, as the Audit Practice Division operates on a fee-for-service basis, all funds received would be reimbursed through audit fees deposited in the Cambridge Deposit Fund.

OUTCOMES:

To reduce staff turnover, the OSA would attempt to compensate audit staff at levels approaching the general industry salary standard. To reduce our present high turnover rate, auditors recently hired, and still on the lower end of the pay scale, will receive a salary equity adjustment. Staff at the higher end of the audit pay scale will not be eligible for this increase. Recent turnover has been highest among staff with zero to 3 years of service with the OSA. As we increase salaries for this group, staff continuity will improve, while overtime, compensatory time, and new staff training costs should decrease. The OSA will be better able to retain the trained CPA's and accountants upon whom we rely and in whom the state already has a significant investment.

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Human Resources Staffing Needs

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund*				
- State Operations	\$80	\$74	\$74	\$74
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

*Non-Executive Branches of Government

RATIONALE:

This request is to add funding for a human resources director for the Office of the State Auditor, which has a staffing level of approximately 135 people. The person filling this position would be required to address the ongoing personnel needs of the OSA related to recruiting, training, conflict management, staff turnover, labor relations, and other human resource issues. In addition, this person would be required to develop innovative methods for staff hiring and retention.

Supervisors and managers are required to deal with a greater number of complex managerial issues in their work crews while still performing core functions. At the OSA, managers and supervisors are audit staff employees who have been promoted through years of experience and audit proficiency. Therefore, manager training also must be increased and centralized.

The OSA has a majority of its professional audit staff located in small offices throughout the state. With this decentralized structure, there is a need to assist

managers and employees with techniques to prevent and resolve human resources issues.

FINANCING:

This request for a Personnel Director 3 would be funded by the General Fund. There is currently 1.0 FTE, an Office Services Supervisor 3, in the base budget to address all personnel needs of the Office.

OUTCOMES:

The Office of the State Auditor would be able to address more complex personnel and management issues with a Personnel Director specifically trained in human resource management because:

- This position will aid in expanding our hiring outreach by developing and implementing new hiring methods.
- This position will focus on staff retention issues.
- This position will provide centralized training for new and existing managers and supervisors.
- This position will provide employee training to assist staff in avoiding and managing workplace conflict.
- This position will offer prompt intervention, investigation and resolution of personnel complaints.

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2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The goal of the Special Investigations Division is to ensure integrity and accountability in local government by investigating allegations of wrongdoing on behalf of local government officials, law enforcement agencies, certified public accountants, and the citizens of Minnesota. M.S. 609.456 requires local government officials and employees to report evidence of theft, embezzlement, or unlawful use of public funds or property to the State Auditor.

This division evaluates allegations brought to its attention and, when appropriate, provides specialized auditing techniques, initiates independent investigations, or refers the matter to appropriate oversight authorities. The results of this division's investigations are public and are intended to serve as a deterrent to additional misappropriation of public funds. Since this division has no prosecutorial powers, investigations that disclose evidence of malfeasance, misfeasance, or nonfeasance are referred to the appropriate authorities for corrective action. Evidence of criminal wrongdoing is directed to the appropriate city or county attorney for potential prosecution. Evidence of other local ordinance or policy violations are referred to local officials to pursue civil litigation, recover losses, or initiate disciplinary or other appropriate action. Improper financial management practices are referred to local officials for other corrective action.

Personnel in this division have specialized backgrounds in accounting and law, which permit them to assist local governments and private accounting firms in investigating possible violations of law, and to address internal control and management issues. Staff is increasingly called upon to help train and educate local government officials and employees in detecting and preventing fraud, waste, and abuse in their programs. This division also assists the OSA's staff auditors, local law enforcement agencies, the Bureau of Criminal Apprehension, the Department of Trade and Economic Development, the Department of Administration, and the Office of the Attorney General in investigations where suspected fraud involving local funds requires expertise in complex financial investigations.

STRATEGIES AND PERFORMANCE:

This budget plan will advance the following objectives:

- The division will strive to thoroughly and timely investigate allegations of malfeasance, misfeasance, and nonfeasance for the proper oversight of the

4,300 local units of government and communicate findings of wrongdoing to the appropriate agencies and to the public. As the work of the division becomes more recognized, it increases the number of requests for special investigative services. Therefore, without additional resources it will become increasingly difficult to meet this objective.

- Special Investigations will continue to address and report on major policy issues having statewide impact that relate to assessing the integrity, stewardship, and performance of local government finance, such as the profit and not-for-profit entities created by local government units, competitive bidding requirements, potential conflicts of interest, and violations of Minnesota law.
- The division will continue to train and educate local government officials, employees and OSA field auditors in the detection and the prevention of fraud, waste, and abuse, as well as violations of law and policy, with the objective of helping local government managers evaluate and improve their control systems.
- Special Investigations will strive to close approximately 300 cases annually, which include requests for assistance from local government units, requests from other law enforcement agencies, and formal notification by local government officials and employees pursuant to M.S. 609.456.

FINANCING INFORMATION:

This division is funded by the General Fund. Local entities are not charged for services relating to the detection and investigation of suspected fraud because: 1) government officials may hesitate to utilize the services or may discontinue reporting as required by M.S. 609.456; 2) there would be great resistance to allowing this division to conduct the comprehensive and exploratory procedures that are an inherent part of the investigative process; and 3) assessing fees against a government entity may not be appropriate in certain cases due to the source of the complaint, nature of the case, or target of the investigation.

BUDGET ISSUES:

This division has expanded due to the growth in new caseloads and the increasingly complex and time consuming nature of cases. For example, a single complicated investigation may utilize over 2,000 hours of staff time. Besides dealing with more complex cases, the OSA reviewed and closed 202 cases in 1995, 279 cases in 1996 and 295 cases in 1997. In addition to the time spent on cases and monitoring criminal investigations, Special Investigations must also review and manage numerous other requests and questions from citizens, local government officials, and employees regarding potential fraud, waste, and abuse of public funds.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE AUDITOR
Program: STATE AUDITOR
Activity: SPECIAL INVESTIGATIONS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	274	315	382	376	455	376	387	466	387
OPERATING EXPENSES	66	40	119	65	84	65	64	83	64
SUBTOTAL STATE OPERATIONS	340	355	501	441	539	441	451	549	451
Total Expenditures	340	355	501	441	539	441	451	549	451
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) SPECIAL INVESTIGATIONS COMPLEX CASES	GEN				98			98	
Total Change Items					98			98	
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	340	355	501	441	539	441	451	549	451
Total Financing	340	355	501	441	539	441	451	549	451
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	5.8	6.5	7.5	6.5	6.5	6.5	6.5	6.5	6.5
Total Full-Time Equivalent	5.8	6.5	7.5	6.5	6.5	6.5	6.5	6.5	6.5

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Continued Increase of Complex and Time Consuming Cases

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund*				
- State Operations	\$98	\$98	\$98	\$98
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

*Non-Executive Branches of Government

RATIONALE:

The Special Investigations Division is requesting funding for 1 additional investigator and funding to maintain 2 part-time law clerks. This request is in response to the persisting growth in the number of complex, time consuming cases coming to the Special Investigations Division. For example, one complex investigation involving a county took over 2,000 hours of staff time, the equivalent of 1.0 FTE workload. Likewise, 3 separate cases involving theft of public funds consumed over 900 hours of investigative staff time. These cases are not isolated occurrences.

In addition to the time spent on the cases noted above, Special Investigations must also review and manage numerous other requests and respond to inquiries from citizens and local government officials and employees regarding potential fraud, waste, and abuse of public funds. In order for Special Investigations to be effective in responding to these concerns, cases must be completed in a timely manner.

FINANCING:

The Special Investigations Division is funded by the General Fund. As with most agencies that engage in investigative activities, funding through user fees is not feasible. The amount required, including salary, fringe benefits, equipment, and all other operating costs associated with the requested positions is \$98,000 annually. Without the additional funding, the 2 present part-time law clerks will be eliminated in F.Y. 2000.

OUTCOMES:

The division will continue to strive to achieve honesty, integrity, and accountability in 4,300 local governments. It will communicate to the public and address findings on major policy development issues that have statewide impact relating to the integrity, stewardship, and performance of government activities. Because of experience and employee development, the division will maintain its service level.

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 OSA field auditors to enhance the detection of fraud, waste, and abuse.

The Office of the State Auditor is prepared to fulfill its duties to investigate allegations of wrongdoing and serve as a watchdog over taxpayers' funds. This staffing will allow the OSA the ability to more effectively and promptly accomplish these goals. In the event the requested funding is not made available, the ability of the division to maintain its high level of service responsiveness to local units of government will be seriously affected.

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2000-01 Biennial Budget

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

ACTIVITY PROFILE: The Government Information Division promotes financial accountability and cost-effective public services for over 2,700 of Minnesota's local governments. In addition, this division prescribes the chart of accounts and reporting requirements for our 855 cities and 1,792 towns, and collects, verifies, and analyzes financial information for cities, towns, counties, and special districts. This local government data is compiled into a database, which includes information on local government revenues, expenditures, indebtedness, fund balances, tax capacity, and totals for personal services. Often, the information collected is used by others, such as the U.S. Bureau of the Census, Department of Revenue, Pollution Control Agency, Minnesota Planning, the City of Minneapolis, and the Minnesota Taxpayers' Association. The OSA's Single Audit staff and TIF Division also utilize information this division receives. The Government Information Division produces 11 reports on local government finances, which are made available to the public in print and on the Internet. This information provides local officials and citizens with a better understanding of their financial condition relative to other local governments and provides Minnesota policy makers with significant data useful in making sound public policy decisions.

This division also assists with special projects requested by the legislature, including coordinating the collection of data into databases, preparing tables and charts, analyzing the data, and publishing reports. In the last year, these special projects included a study of local government bond council fees, an analysis of local government legal costs, and a study of corporations created by public entities.

Finally, this division provides research and strategic planning support on technology issues to other OSA divisions. The division makes recommendations on equipment and software purchases; provides network and personal computer installation, support and maintenance; procures common network equipment; and supervises the LAN administrator and web site technical staff.

STRATEGIES AND PERFORMANCE: The overall efficiency and effectiveness of the Government Information Division should be measured by more than the amount of data it produces. The most important measure of its effectiveness is the ultimate dissemination and use of its data to assist in discussions and public policy decisions. To this end, the division will continue to improve the usefulness of

information on local government finances and work to enhance the raw data with meaningful analysis, while improving its overall accessibility. The division plans to achieve these objectives:

- Develop an interactive database and electronic reporting forms on our website.
- Conduct in-depth research and analysis of local government finances, including an analysis of our state-local fiscal relationship.
- 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 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 1,792 townships.
- Maintain an extensive database of financial data on all local governments within the state, including totals of revenues, expenditures, and outstanding debt.
- For legislative or client requests, develop surveys and forms 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 data with the Department of Transportation.
- Maintain the Small Cities and Towns Accounting System (CTAS) software for use by small cities and towns throughout the state.

FINANCING INFORMATION: Pursuant to M.S. 477A.014, Subd. 4, the Commissioner of Revenue deducts \$217,000 annually from local government aids for the costs related to the government information function.

The costs of collecting highway expenditure data from local governments and reporting the statewide data to state and federal transportation officials is repaid to the OSA by the Department of Transportation through an interagency agreement.

Fees charged for the Small Cities and Towns Accounting System software are transferred to the Department of Administration under M.S. 16B.405 to offset the OSA's bill for communications and computer services from Administration.

BUDGET ISSUES: This division manages the OSA's information technology needs and makes recommendations to the State Auditor on technology requirements. The continuous changes in this field demand that staff remain current on new developments, including determining the OSA's investment in new equipment, software, training, and technologies to improve staff efficiency and effectiveness.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE AUDITOR
Program: STATE AUDITOR
Activity: GOVERNMENT INFORMATION DIV

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	301	345	405	419	494	419	434	509	434
OPERATING EXPENSES	201	84	387	213	263	213	209	259	209
SUBTOTAL STATE OPERATIONS	502	429	792	632	757	632	643	768	643
Total Expenditures	502	429	792	632	757	632	643	768	643
<u>CHANGE ITEMS:</u>									
(B) RESEARCH & INFORMATION STAFFING	<u>FUND</u> GEN				125			125	
Total Change Items					125			125	
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	502	429	792	632	757	632	643	768	643
Total Financing	502	429	792	632	757	632	643	768	643
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	28	2	10	10	10	10	10	10	10
Total Revenues Collected	28	2	10	10	10	10	10	10	10
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	6.4	7.1	8.0	8.0	8.0	8.0	8.0	8.0	8.0
PART-TIME, SEASONAL, LABOR SER	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	6.4	7.2	8.1	8.1	8.1	8.1	8.1	8.1	8.1

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Research and Information Technology Staffing

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</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:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

*Non-Executive Branches of Government

RATIONALE:

This request is to put in place the recommended ratio of staff required to support the OSA's existing computer network systems and analyze collected data in a timely manner. This request will also improve local government financial reporting in Minnesota and further one of the primary goals of this division; i.e., to make local government financial information more available to the general public, local government officials, and the Legislature.

Increasing demands on limited staff make it difficult to issue and disseminate the OSA's reports in a time period when they are most meaningful. This request will permit local government financial information to be collected, verified, and distributed on a more timely basis. It will also allow the State Auditor to extend a uniform financial reporting product and provide the capability to enhance the OSA's presence on the Internet where local government financial information will be available for viewing, searching, or downloading by others. These efforts will make the information more readily available to policy makers and the public.

This initiative will give this division the ability to obtain the personnel, equipment, tools, and technical expertise required to extend the accessibility, understandability, and usability of the information it collects. 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.

FINANCING:

There is funding for only 1.0 FTE technology staff person in the base. The additional \$125,000 per year in General Fund dollars will be used to add 1.0 FTE Information Technology Specialist 3, 1.0 FTE Management Analyst, and 0.5 Student Worker, and their related costs.

OUTCOMES:

This request will be used to generate the following outcomes:

- Staff will provide more timely verification and issuance of local government financial information and reports.
- Computerized methods for reporting local government information will be enhanced and extended. This includes creating computer based reporting forms on diskette, and designing and maintaining web page reporting forms on the Internet to simplify reporting to the Office of the State Auditor.
- Computerized methods for disseminating local government information will be enhanced and extended. This includes financial reports being more widely accessible to the public using diskette, downloading, or querying through the Internet.
- In-house staff will be able to maintain the Cities and Towns Accounting System (CTAS) software to make reporting more automated and improve local government reporting.
- In-house staff will be able to maintain and provide backup for the Local Area Network within the State Auditor's Office.

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2000-01 Biennial Budget

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

ACTIVITY PROFILE: The Pension Oversight Division monitors investment, financial and actuarial reporting for over 700 public pension funds to ensure a financially stable retirement system for the participants 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 administration of plans covering approximately 25,000 members. Most plans are small volunteer fire relief associations administered by part-time boards and officers, whose tasks include understanding state laws affecting benefit levels, financing, actuarial methods, investment practices and pension fund administration. The division plays an important role in this process by attempting to deliver the highest quality service to pension plan members, policymakers and taxpayers through achievement of the following key goals: 1) promoting consistent interpretation and application of statutes and fund bylaws in all phases of operation; 2) providing a uniform basis for calculating and reporting of investment returns for all public plans; and 3) monitoring plan operations and administration of benefits to effectively measure compliance with state laws governing plan operations and administration. Program activities fall under the following 4 categories:

Financial Oversight -- Since financial oversight is this activity's core function, the division must:

- develop and implement reporting processes that give pension members, pension boards, local jurisdictions and state policymakers reliable information on the status and funding requirements of local pension plans;
- annually distribute forms and reference tools such as the treasurer and auditor packets, tax and investment guidebooks, along with automated files on diskette for data entry, form submission and scenario testing;
- review all financial reporting forms, actuarial reports, defined contribution allocation tables, and audits for accuracy and completeness.

Investment Performance Reporting -- Responsibilities in this area have expanded to include the following activities:

- Develop and implement a reporting process for time-weighted rate-of-return data collected from over 700 pension funds;
- Collect and review investment report submissions, compile and analyze rate-of-return data, and report investment performance information to policymakers, pension fund members and the public.

Research and Communications -- Since laws governing local pension plan administration can be complex, a significant share of the division's technical resources is required to:

- provide assistance to pension funds on issues relating to tax laws, state statutes, form submissions, investment policies and valuation of benefits;
- prepare regular reports to policymakers on pension plan status and investment performance;
- conduct training and respond to requests for information from state elected officials and their staff, local officials, and taxpayers.

Compliance Monitoring and Investigation -- When monitoring for legal compliance in the administration of local pension plans, the division must:

- evaluate submitted reporting forms and contact pension fund officers, municipal officials, auditors or investment advisors regarding any technical irregularities, administrative or investment policy concerns;
- assist the OSA's Legal, Audit Practice, and Special Investigations staff when pension issues arise;
- prepare reports to the Commissioner of Revenue certifying individual relief associations are eligible to receive various state aid distributions.

STRATEGIES AND PERFORMANCE: This division will receive, review, and report each year the financial and investment information from over 700 public pension funds, as required by the legislature. One of the division's challenges in the next biennium is to augment its oversight and reporting functions by expanding customer service to offer more frequent training, enhance publications, and streamline various reporting processes. Increased training may result in significant returns by correcting reporting and administrative problems before they are encountered through OSA reviews.

FINANCING INFORMATION: Under M.S. 356.219, costs for investment performance reporting, approximately \$203,000 in F.Y. 2000, must be funded from the General Fund. Under M.S. 69.021, subd. 5, the remaining costs for Pension Oversight, approximately \$249,000 in F.Y. 2000, are offset through dollar-for-dollar reductions against state pension-related aids distributed by the Department of Revenue.

BUDGET ISSUES: Due to a heightened awareness of the importance of investments as a pension funding component, the legislature has continued to increase the OSA's responsibilities in the investment performance reporting area.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE AUDITOR
Program: STATE AUDITOR
Activity: PENSION OVERSIGHT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	180	246	331	355	466	355	368	479	368
OPERATING EXPENSES	59	67	203	110	146	110	97	133	97
SUBTOTAL STATE OPERATIONS	239	313	534	465	612	465	465	612	465
Total Expenditures	239	313	534	465	612	465	465	612	465
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) INVESTMENT OVERSIGHT OF PUBLIC PENSION	GEN				147			147	
Total Change Items					147			147	
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	236	305	524	452	599	452	460	607	460
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	3	8	10	13	13	13	5	5	5
Total Financing	239	313	534	465	612	465	465	612	465
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	0	12	2	11	11	11	2	2	2
Total Revenues Collected	0	12	2	11	11	11	2	2	2
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	3.6	5.1	7.3	7.2	7.2	7.2	7.2	7.2	7.2
Total Full-Time Equivalent	3.6	5.1	7.3	7.2	7.2	7.2	7.2	7.2	7.2

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Investment Oversight of Public Pension Funds

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund*				
- State Operations	\$147	\$147	\$147	\$147
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation
*Non-Executive Branches of Government

RATIONALE:

The State Auditor is requesting \$147,000 annually to fund 2.5 FTE for expanded pension fund investment performance monitoring, research activities, training and outreach coordination.

In 1997, the Legislature significantly expanded oversight of public pension fund investment monitoring and performance reporting. Initially, investment performance tracking by the OSA was limited to approximately 130 local relief associations with at least \$300,000 in assets. Legislation expanded this reporting requirement to *all* public plans in Minnesota, taking the total to over 720 pension funds.

The amount of data received in the first year under the new reporting requirements has been greater than anticipated. New investment reporting software has been installed, and the first report under the new law is due in 1999. The data is submitted in hard copy form, and must be reviewed, edited, keyed, and compiled before the first annual report under the new law can be distributed. In addition, the

OSA is required to report by 1-1-99 to the Legislative Commission on Pensions and Retirement with any recommendations for enhancing the information provided by the public pension plans.

The OSA is requesting funding for 1 full-time professional investment manager to coordinate the investment reporting process, data collection, vendor liaison, system upgrades, and in-house and external training. One additional professional/technical staff is needed for the administration and management of the investment performance database over the long-term. In addition, 1 half-time office specialist is needed to input data reported by relief associations.

These staff would also be available in off-peak months to assist with data collection and analysis for the regular financial reporting process, to provide technical assistance on special research projects, and to facilitate regular training and outreach activities.

FINANCING:

Salary, fringe benefits, equipment, and all other operating costs associated with these positions would be \$294,000 for the biennium. This budget presently includes 7.0 FTE in the base.

OUTCOMES:

For most large public pension plans, investment income comprises most of the annual operating income of the plan. The OSA considers this initiative an important part of our on-going effort to complement our oversight and auditing functions by providing better program information to policy makers and fund boards. Additional resources dedicated to this activity will allow the OSA to give clients better tools and information with which to assess the overall effectiveness of pension asset management. The current staff will also spend less time keying and analyzing investment data and will be available for more training and outreach activities with local relief associations, auditors, and investment advisors.

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2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The Constitutional Office provides senior level management for the Office of the State Auditor, overseeing all OSA divisions, their supervisors and staff. The Constitutional Office furnishes management review and support for the regular and special audits of the Audit Practice Division. This budget also includes the costs of the State Auditor's administrative and official operations.

The Constitutional Office directs the planning for educational programs and conferences hosted by the OSA. It also oversees the arrangements for the training and required instruction for staff regarding audit and single audit standards, technology, customer service, client relations, and human resource matters.

This division coordinates the dissemination of information regarding the financial condition of local governments, working with local officials to improve the quality of their financial operations to make services more efficient and cost-effective. The Constitutional Office also assists the Government Information Division to bring information to local governments and citizens through advances in technology.

The Constitutional Office supports the State Auditor's contribution to and the OSA's role on the State Board of Investment, Executive Council, Land Exchange Board, Minnesota Housing Finance Agency, Rural Finance Authority Board, Public Employees Retirement Board and Board of Government Innovation and Cooperation. The State Auditor is also an ex-officio member of the Executive Council of the Minnesota Historical Society.

STRATEGIES AND PERFORMANCE:

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

- Provide supervisory oversight and direction for all OSA staff.
- Assist with the development, distribution, and drafting of special reports requested by the Legislature.

- Offer training programs and conferences for staff, clients, and other interested parties, including staff training in the areas of audit practice, technical issues, customer service, and human resources.
- Implement projects to improve the efficiency and effectiveness of the electronic collection and dissemination of local government financial information.
- Supervises the distribution of 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.
- 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 Employees Retirement Association, Rural Finance Authority Board, Minnesota Housing Finance Agency, and the Board of Government Innovation and Cooperation.
- Establish policies and procedures 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.

FINANCING INFORMATION:

The Constitutional Office, a constitutional function, is funded by the General Fund.

BUDGET ISSUES:

In the past 4 years, the Office of the State Auditor has assumed the oversight of tax increment financing districts throughout the state, new functions in the reporting of public pension plans, increased demands for special investigative work, and numerous inquiries due to the publication of several highly visible audit reports. These conditions required the Constitutional Office to address the senior management issues that accompanied these changes in operations and increases in workload. In addition, the Constitutional Office will continue to strive to communicate the results of its oversight responsibilities to local government officials and the public.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE AUDITOR

Program: STATE AUDITOR

Activity: CONSTITUTIONAL OFFICE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	255	269	272	280	280	280	289	289	289
OPERATING EXPENSES	37	26	60	47	47	81	47	47	117
SUBTOTAL STATE OPERATIONS	292	295	332	327	327	361	336	336	406
Total Expenditures	292	295	332	327	327	361	336	336	406
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) NON-SALARY INFLATION	GEN					34			70
Total Change Items						34			70
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	292	295	332	327	327	361	336	336	406
Total Financing	292	295	332	327	327	361	336	336	406
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	3.8	3.9	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Total Full-Time Equivalent	3.8	3.9	4.0	4.0	4.0	4.0	4.0	4.0	4.0

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Effective 1-1-96, the legislature transferred all oversight and audit responsibilities for tax increment financing (TIF) to the OSA and provided a statutory appropriation to fund its activities. Local governments' use of TIF is subject to complex statutory requirements and limitations. The creation of a TIF district allows one local government to capture property tax revenue that would otherwise be distributed to other local governments (e.g., counties and school districts). Furthermore, when a TIF district diverts property tax revenue from a school district, the education funding formulas allocate additional state aid to the school district, which increases the resulting demand on the state General Fund.

Tax increment financing is a statutory tool used by local governments to encourage economic development, redevelopment, and housing projects. New development on parcels in a TIF district increases the property tax revenue from the parcels. The increase in property tax revenue is then "captured" by the TIF district authority and used to pay associated costs of the new development. In C.Y. 1997, the approximately 1,900 TIF districts throughout the state, which the OSA monitors, generated about \$290 million of tax increment revenue to be used for development assistance.

STRATEGIES AND PERFORMANCE:

The TIF Division promotes legal compliance and accountability of local governments' uses of TIF through financial reviews and audits. It collects and analyzes financial information that local governments are required to report annually regarding their uses of tax increment. The division also performs legal compliance audits on TIF districts throughout the state, answers citizens' and local government officials' questions regarding TIF, and conducts and participates in numerous TIF educational programs around the state on an annual basis.

When the TIF Division finds that a local government has not complied with the TIF laws, it issues a notice of noncompliance to the municipality that approved the plan for the TIF district. By law, the municipality must respond to the notice of noncompliance within 60 days. The OSA is required to report these responses to the chairs of the legislative committees with jurisdiction over TIF. If the municipality's response does not resolve the noncompliance issues, the TIF Division refers the matter to the county attorney for possible enforcement action.

The TIF Division plans to achieve the following objectives:

- Review annual financial reports for TIF districts, notify TIF authorities of problems or issues relating to annual reports, and obtain corrected information.
- Provide information and respond to local government officials and citizens who request information regarding the lawful uses of TIF, and investigate citizen information regarding unlawful uses of TIF.
- Conduct on-site TIF legal compliance audits.
- Identify TIF non-compliance issues and notify municipalities of same.
- Forward information regarding violations of TIF law to county attorneys for possible enforcement action.
- Provide chairs of the legislative committees, with jurisdiction over TIF, with an annual report describing TIF legal compliance issues.
- Work in cooperation with state agencies, local government associations, and local government officials to provide training and education to individuals administering TIF districts in the state.

FINANCING INFORMATION:

The TIF Division is funded exclusively by a statutory appropriation of revenue generated by deducting 0.25% of tax increment distributed to authorities that administer TIF districts. In the 1998 legislative session, the enforcement deduction rate was increased to the present 0.25% from 0.10%. County treasurers pay the deducted revenue to the State Treasurer, which transfers the funds to the Office of the State Auditor. The OSA projects it will receive \$691,000 in F.Y. 2000 and \$712,000 in F.Y. 2001 from the statutory enforcement deduction. However, the annual revenue from the enforcement deduction will vary depending on the number of active TIF districts and the amount of tax increment generated by those districts.

BUDGET ISSUES:

The number of TIF districts over which the TIF Division has audit jurisdiction continues to grow. The number of TIF districts required to report to the OSA was 1,674 for C.Y. 1995; 1,830 for C.Y. 1996; and approximately 1,900 for C.Y. 1997.

The additional revenue from the 0.25% rate will be used to add 5.0 FTE auditors, 1.0 FTE administrative specialist, and 1.0 FTE manager to the former 4.0 TIF staff. The new auditors will perform on-site compliance audits and provide enhanced training and education for local government officials and staff in response to increasing demand for more timely and comprehensive oversight of local governments' use of TIF. These on-site audits are essential to ensure the accuracy of TIF reports and legal compliance, and to strengthen the OSA's oversight of the expenditure of approximately \$290 million per year in tax increment revenue.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE AUDITOR
Program: STATE AUDITOR
Activity: TAX INCREMENT FINANCING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	203	202	432	543	543	543	561	561	561
OPERATING EXPENSES	31	32	306	131	131	131	165	165	165
SUBTOTAL STATE OPERATIONS	234	234	738	674	674	674	726	726	726
Total Expenditures	234	234	738	674	674	674	726	726	726
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
GENERAL	0	234	728	669	669	669	721	721	721
SPECIAL REVENUE	234	0	10	5	5	5	5	5	5
Total Financing	234	234	738	674	674	674	726	726	726
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	0	0	10	5	5	5	5	5	5
Total Revenues Collected	0	0	10	5	5	5	5	5	5
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	3.9	4.0	8.7	11.0	11.0	11.0	11.0	11.0	11.0
Total Full-Time Equivalent	3.9	4.0	8.7	11.0	11.0	11.0	11.0	11.0	11.0

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: State Treasurer, Office of

AGENCY MISSION AND VISION:

The mission of the Office of State Treasurer, the chief elected state financial officer, is to carry out, independent of other state agencies, responsibilities in monetary areas important to the efficient fiscal operation of state government, and state and local agencies.

KEY SERVICE STRATEGIES:

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

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

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

To accomplish its mission and implement its Key Strategies, the Office:

- Approves annually approximately 6 million state-issued warrants, and legislative payroll and expenditures, as they are presented daily by banks for payment.
- Accurately records daily deposits into 150 banks as reported by approximately 160 Deputy Registrars and 210 different state agencies, including higher education facilities, throughout the state.
- Analyzes receipt and disbursement activity to maximize investment earnings by determining amounts available for investment throughout the day.

- Verifies all investment expenditures made by SBI staff and authorizes payment to brokers.
- Verifies receipts of all investment proceeds earned from investments made on behalf of state agencies.
- Assures each day that all state funds on deposit are properly collateralized or insured.
- Formulates policy for cash management procedures.
- Pays and accounts for principal and interest due for some 70 state-bonded debt issues.
- Receives, accounts for, and deposits payments for federal and state income taxes, and Medicare and social security taxes, for the legislature, boards and commissions, state employees, and state colleges and universities.
- Accounts for and processes payments to banks for service charges assessed the state for banking activities.
- Receives, accounts for and deposits the state's share of county receipts, miscellaneous gifts and escheated estates proceeds.
- Operates a cash facility to redeem state warrants, bonds and bond coupons.
- Prepares and publishes a credit card report to be available to the general public for the purpose of comparing information of the various credit card issuers.

OPERATING ENVIRONMENT:

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

- *Electronic Financial Transactions (EFT's).* Minnesota citizens and businesses are demanding that state agencies accept and make payments electronically. EFT's include credit cards, Automated Clearinghouse (ACH) debits and credits, and electronic data interchange (EDI) transactions. The Web/Internet, advances in telecommunications, and development of standards allow governments to provide services more efficiently and less expensively. The Treasurer's Office as the hub of electronic financial transactions must simultaneously make the information about those transactions available to the bank, the accounting

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: State Treasurer, Office of
(Continuation)

system, and the agency. EFT's are the core of the OT/IPC Electronic Government Services Initiative. The Treasurer has already taken the lead in developing the national infrastructure allowing Electronic Benefits Transfers (EBT's), the system that enables public assistance recipients to obtain benefits from ATM machines.

- *Master Contract for Credit Card Vendors (Proposed)* – The current and inefficient practice is that each agency separately negotiates terms with credit card companies when the agency has elected to accept credit card payments. The problem is that agencies are not knowledgeable about these matters. Therefore, 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 that will allow agencies to offer such services through a master contract.
- *Citizen Access to Information.* Citizens and businesses are demanding electronic access to information. This is especially so when the state provides a single electronic payment to a vendor for multiple payment transactions (may be in the hundreds or thousands). The vendor needs the detail about these payments electronically. The Treasurer is involved with the Electronic Government Services Initiative to make this happen.

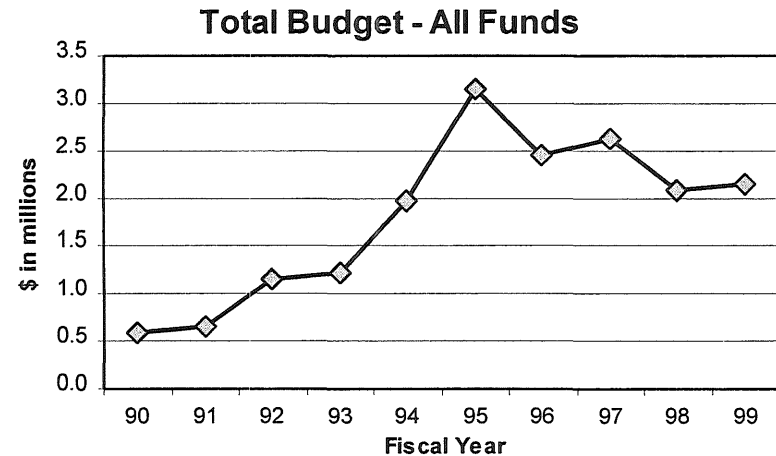
ORGANIZATION/PROGRAM STRUCTURE:

The Office of State Treasurer has 13 employees, including the State Treasurer.

TREASURER AND EXECUTIVE TEAM	4.0 fte
Investments and Debt Service	2.0 fte
Data Processing	4.0 fte
Cash Management	3.0 fte

9/30/98 TOTAL FTEs 13.0

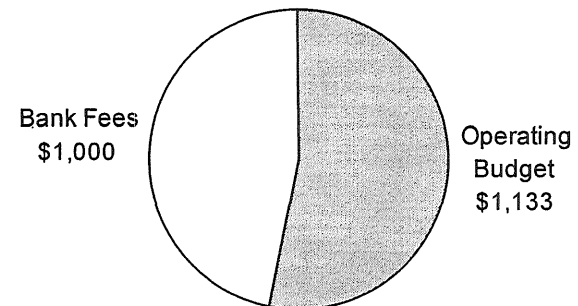
TRENDS AND PERSPECTIVE:



F.Y. 1995 includes carry forward from F.Y. 1994 to pay for bank fees (\$420,000) and information system contracts (\$110,000). These expenses were not invoiced until F.Y. 1995.

F.Y. 1999 included a \$1.5 million appropriation for transfer to the transportation revolving loan fund, which is not included here.

**F.Y. 1999 Expenditures by Fund
(\$ in thousands)**



**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: State Treasurer, Office of
(Continuation)

REVENUES: (\$50,016,000 for F.Y. 1998)

The State Treasurer is designated by statute to receive the state's share of various monies collected by the counties as fees, fines, assessments and surcharges. These monies are not a part of the State Treasurer's budget. They are either dedicated to certain specific funds or are deposited into the General Fund.

Dedicated Fund Revenues	
Marriage Fees	\$165,000
Probate Fees	\$13,855,000
Birth, Adoption & Child Restraint Fees	\$1,189,000
Police Officer Training	\$6,006,000
Seat Belt Fines	\$880,000
Petty Misdemeanor Fees	\$5,430,000
Conciliation Court & License Fees	\$3,098,000
Children Trust & Housing Trust	\$993,000
Total:	\$31,616,000

General Fund Revenues	
Court Fees & Fines	\$12,564,000
Public Defender Fees	\$212,000
Land Recording Fees	\$5,141,000
Tax Forfeited & Tax Increment Fees	\$483,000
Total:	\$18,400,000

GOVERNOR'S RECOMMENDATIONS:

Historically, the courts, the legislature, and other constitutional officers have departed somewhat from general budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of power and the desire of other elected state officials to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature it is necessary to identify funding for those offices as part of preparing a completed and balanced budget.

The Governor's general recommendations for the constitutional offices reflect his firm commitment to minimizing the overall growth of government and the resulting tax burden on Minnesota taxpayers. Therefore, the Governor recommends funding to maintain the existing level of appropriations previously established by the legislature and recommends increasing that level only for salary and non-salary inflation. The effect of this overall level of funding should effectively allow this office to provide the same level of service as in the current year. Discretionary increases in the level of services provided should be reallocated from within the base budget.

For the Office of State Treasurer, the Governor's recommendation includes \$63,000 for salary inflation and \$140,000 for non-salary inflation. Because the Treasurer's Office receives the Small Agency Operating Expenses as a base adjustment the Governor recommends the base.

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

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE TREASURER

Program: STATE TREASURER

Activity: STATE TREASURER

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	623	672	711	695	705	695	716	726	716
OPERATING EXPENSES	2.009	1.442	1.423	1.515	1.555	1.515	1.567	1.582	1.567
SUBTOTAL STATE OPERATIONS	2.632	2.114	2.134	2.210	2.260	2.210	2.283	2.308	2.283
CAPITAL OUTLAY	0	11	0	0	0	0	0	0	0
PAYMENTS TO INDIVIDUALS	0	55	0	0	0	0	0	0	0
Total Expenditures	2.632	2.180	2.134	2.210	2.260	2.210	2.283	2.308	2.283
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) ELECTRONIC FINANCIAL TRANSACTIONS: MONEY	GEN			50			25		
Total Change Items				50			25		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2.632	2.180	2.134	2.210	2.260	2.210	2.283	2.308	2.283
Total Financing	2.632	2.180	2.134	2.210	2.260	2.210	2.283	2.308	2.283
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	807	494	884	877	877	877	897	897	897
STATE GOVERNMENT SPECIAL REVENUE	2	1.137	1.250	1.250	1.250	1.250	1.250	1.250	1.250
SPECIAL REVENUE	6.371	6.935	6.496	7.996	7.996	7.996	8.496	8.496	8.496
AGENCY	584	617	550	550	550	550	550	550	550
HOUSING FINANCE AGENCY	400	418	390	390	390	390	390	390	390
NONDEDICATED									
GENERAL	16.989	17.984	18.012	19.792	19.792	19.792	18.012	18.012	18.012
STATE GOVERNMENT SPECIAL REVENUE	168	165	320	320	320	320	320	320	320
CAMBRIDGE DEPOSIT FUND	21.851	22.384	23.283	23.283	23.283	23.283	23.283	23.283	23.283

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: STATE TREASURER

Program: STATE TREASURER

Activity: STATE TREASURER

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Total Revenues Collected	47.172	50.134	51.185	54.458	54.458	54.458	53.198	53.198	53.198
FTE BY EMPLOYMENT TYPE:									
FULL TIME	11.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9
PART-TIME, SEASONAL, LABOR SER	0.8	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	12.8	13.1	13.1	13.1	13.1	13.1	13.1	13.1	13.1

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: State Treasurer, Office of

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$3,634	\$3,634	\$7,268
<u>BASE ADJUSTMENT</u>			
Salary Compensation Inflation	21	42	63
Small Agency Operating Expense	45	95	140
Documented Rent Increase	11	13	24
Uniform Pension Reduction	(1)	(1)	(2)
One-time Appropriation	<u>(1,500)</u>	<u>(1,500)</u>	<u>(3,000)</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$2,210	\$2,283	\$4,493
<u>CHANGE ITEMS</u>			
Electronic Financial Transactions: Money (Electronic Government Services)	<u>50</u>	<u>25</u>	<u>75</u>
AGENCY'S REQUEST	\$2,260	\$2,308	\$4,568

Brief Explanation of Budget Decisions:

- The Treasurer's Office requests \$4.5 million for the biennium.
 - 45% is for Banking Contract Services (pursuant to competitive bid);
 - 55% is for salaries, office rent, maintenance, contracts, communications services, on-going programming and development costs to maintain the data processing capabilities for our financial systems, and office expenses including supplies, travel, replacement equipment, furniture, etc.
- Base adjustments include:
 - increases for salary, operating expenses, and rent;
 - removal of a one-time appropriation of \$1.5 million that was a transfer to the transportation revolving fund;
 - Uniform Pension reduction of \$2,000.
- \$75,000 is requested as a part of the Electronic Government Services Initiative that is designed to give the public the ability to electronically purchase permits and licenses, and electronically pay fees and taxes through commercially

available communication channels such as the world wide web and the telephone. Multiple agencies are involved with this initiative, which has the support of the Information Policy Council (IPC) and the Office of Technology (OT).

GOVERNOR'S RECOMMENDATION(S):

Historically, the courts, the legislature, and other constitutional officers have departed somewhat from general budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of power and the desire of other elected state officials to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature it is necessary to identify funding for those offices as part of preparing a completed and balanced budget.

The Governor's general recommendations for the constitutional offices reflect his firm commitment to minimizing the overall growth of government and the resulting tax burden on Minnesota taxpayers. Therefore, the Governor recommends funding to maintain the existing level of appropriations previously established by the legislature and recommends increasing that level only for salary and non-salary inflation. The effect of this overall level of funding should effectively allow this office to provide the same level of service as in the current year. Discretionary increases in the level of services provided should be reallocated from within the base budget.

For the Office of State Treasurer, the Governor's recommendation includes \$63,000 for salary inflation and \$140,000 for non-salary inflation. Because the Treasurer's Office receives the Small Agency Operating Expenses as a base adjustment the Governor recommends the base.

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

F.Y. 2000-2001 Information Technology New Funding

AGENCY: STATE TREASURER

PROGRAM: STATE TREASURER

ACTIVITY: STATE TREASURER

IT Change Item: ELECTRONIC FINANCIAL TRANSACTIONS: MONEY

ITEM DESCRIPTION AND PURPOSE:

This part of the Electronic Financial Transactions (EFT) Project will develop a process that will allow agencies to maximize their use of electronic payments and electronic receipts. Agencies will be capable of sending payments to vendors electronically from within the MAPS procurement application through the existing Automated Clearinghouse (ACH) maintained by the nation's financial institutions.

These payments could be made in advance for later settlement without adjusting MAPS accounts until settlement. Likewise, vendors could make payments to the state electronically through the ACH system. A process will be developed whereby these payments will be posted simultaneously in the state's bank accounts, in the MAPS accounting system, and the agencies' information systems. The Treasurer's Office must provide the programming and system integration between banking systems and governmental systems necessary to create this EFT infrastructure.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	0	0	0	0	0	0
Personnel	10	10	10	10	10	10
Services	15	15	15	15	15	15
Software	25	0	0	0	0	0
Supplies	0	0	0	0	0	0
Training	0	0	0	0	0	0
Total	50	25	25	25	25	25

RATIONALE:

To maximize earnings in the state's "Treasurer's Cash," the state's cash manager must have complete and accurate information available about when and how much cash is being deposited and withdrawn into and out of the state's bank accounts. The Department of Finance and the State Treasurer's Office have long since concluded that this timely information realistically can only be provided by maximizing the use of electronic payments and electronic receipts. Until now these capabilities were expensive and tended to require customized solutions. We believe that the development of a commonly available communication medium (the world wide web) combined with the commercial development of standards for electronic financial transactions make it possible for government to realize some of these efficiencies in managing cash without large capital investments. Currently, the state has approximately \$5.5 billion in Treasurer's Cash. Increasing return by even one-tenth of one percent is worth fully developing its capability to collect receipts and issue payments electronically.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X					
Operations		X	X	X	X	X
Modification			X	X	X	X
Retirement						

F.Y. 2000-2001 Information Technology New Funding

AGENCY: STATE TREASURER
IT Change Item: Electronic Financial Transactions: Money
(Continuation)

OFFICE OF TECHNOLOGY ANALYSIS:



Minnesota Technology on Target
Electronic Government Services (EGS) - This initiative is part of a multi-agency collaboration to build a secure infrastructure for delivering government services electronically.

The Treasurer's Office plays a key role for the management of cash for the State of Minnesota. The ability to manage cash electronically is a necessary and critical component to increase the state's return on investment.

OT Master Plan: Goal 2-Efficient and effective government. This project would improve the capability to collect receipts and issue payments electronically and provide a long-standing practice of electronic money management for the State. This is an IPC collaboration project which integrates banking systems and governmental systems necessary to create an electronic funds transfer infrastructure for State government. Recommendation: Integrate with other IPC electronic government service initiatives and proceed with project. OT supports this project. *** Statewide critical project-project must be funded.

GOVERNOR'S RECOMMENDATION:

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

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2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

AGENCY: Attorney General, Office of (AGO)

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PROGRAMS, BUDGET ACTIVITIES, AND CHANGE ITEMS

ATTORNEY GENERAL, OFFICE OF (AGO)

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Health and Licensing	F-123
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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Attorney General, Office of (AGO)

AGENCY MISSION AND VISION:

The mission of the AGO is to protect the interests of Minnesota citizens through:

Law Enforcement--The AGO:

- Enforces the state's consumer, charities, Medicaid and antitrust laws to protect the citizens of the state from fraud and to ensure fair business practices.
- Assists county attorneys in prosecuting crime and upholding criminal convictions to safeguard the public.
- Assists citizens with consumer complaints and legal issues through education, information and mediation.
- Develops programs to prevent crime, drug abuse, sexual abuse, and consumer fraud.

Agency Representation--The AGO serves as general counsel to state agencies to:

- Protect the public from unsafe health care and child care providers, dangerous drivers, sexual predators, and licensed professionals.
- Protect the public's natural resources.
- Protect taxpayer dollars.
- Enforce state laws.
- Help agencies design and carry out their programs.
- Operate facilities such as prisons, hospitals, parks and campuses in compliance with all applicable laws.

Defense of Claims--The AGO serves as defense counsel for the legislature and state agencies to:

- Protect taxpayer dollars.
- Defend state legislation and agency program decisions.

Through this work the AGO in the 1996-1997 biennium:

- Returned \$22,866,000 to the state treasury and \$26,919,000 to citizens of the state.
- Saved the state \$228,500,000 by successfully defending claims against the state.
- Protected state funds by carefully reviewing state contracts, grants and bond issues.

The result is that the AGO returns, saves and protects far more taxpayer dollars than it spends.

The AGO accomplishes this result, through its continuing efforts to provide high quality cost-efficient legal services. The AGO has also built an extensive preventative law program designed to avoid legal problems. It has aggressively used alternative dispute resolution methods (ADR). And the AGO has shifted work to legal assistants to meet the demand for additional legal services.

KEY SERVICE STRATEGIES:

To carry out its mission and vision the AGO:

- Attracts highly qualified lawyers, legal assistants and support staff.
- Develops innovative legislative approaches to efficiently resolve problems such as child support and redevelopment of contaminated land.
- Employs cutting edge law enforcement techniques to address new threats to the public such as computer crimes, methamphetamine labs and gang violence.
- Establishes close working relationships with state agencies, county attorneys and other constituent groups to assist them in carrying out their programs.
- Works with agencies to educate staff on issues such as employment law, tort claims, and implementation of new statutes to reduce exposure to claims and prevent costly litigation.
- Educates consumers to avoid unscrupulous business practices and works with businesses to educate them about state law.
- Regularly examines the mix of lawyers and legal assistants to assure efficient delivery of legal services.
- Sponsors programs that help prevent crime, drug abuse, sexual abuse and discrimination.
- Trains its staff to enhance their capability to meet the state's legal needs.

**2000-01 Biennial Budget
Agency Executive Summary**

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

OPERATING ENVIRONMENT:

The challenges faced by the AGO include:

- Meeting the constantly increasing demand for AGO services driven by new programs (for example, community notification of level 3 sex offenders), enhanced programs (for example, the tougher DWI laws), new facilities (for example, the new prison), increased litigation (for example, employment law), and new public safety threats (for example, the rapid increase in methamphetamine labs).
- Retaining qualified, experienced staff when AGO lawyers salaries are frequently at or below 80% of those paid by other major metropolitan public law offices.
- Maintaining adequate funding for the office in light of the increasing demand for services and the salary inequities. Currently, the office is funded by a mix of General Fund appropriation and funding agreements with "partner agencies." These funding approaches are being studied by an AGO-Department of Finance Task Force.
- Building the capability to respond to crimes involving new technology such as Internet fraud.
- Developing a staff that more closely reflects the diversity of Minnesota's populous.

FINANCING INFORMATION:

Beginning in F.Y. 1996-97 the Attorney General's Office began "partnering" with various agencies to provide legal services. Under this partner arrangement the AGO negotiated agreements with agencies for a specific number of hours of legal services. The agencies transferred or made payments to the AGO to cover the cost of these services.

ORGANIZATION/PROGRAM STRUCTURE:

Attorney General	
Government Services	89.0 fte
Public and Human Resources	105.0 fte
Law Enforcement	133.0 fte
Solicitor General	82.0 fte
Health and Licensing	75.0 fte
Administration	55.0 fte

6/30/98 TOTAL FTEs 539.0

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed somewhat from general budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of power and the desire of other elected state officials to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature it is necessary to identify funding for those offices as part of preparing a completed and balanced budget.

The Governor's general recommendations for the constitutional offices reflect his firm commitment to minimizing the overall growth of government and the resulting tax burden on Minnesota taxpayers. Therefore, the Governor recommends funding to maintain the existing level of appropriations previously established by the legislature and recommends increasing that level only for salary and non-salary inflation.

For the Office of State Attorney General, the Governor's recommendation includes \$1.7 million for salary inflation and \$149,000 for non-salary inflation.

In addition, the Governor recognizes that demands for service have increased throughout the entire legal system. In particular, requests facing the Office of Attorney General for both law enforcement services to local units of government and for state government agency services need to be addressed. To address these demands the Governor recommends a funding increase equivalent to two percent each year amounting to \$491,000 in F.Y. 2000 and \$998,000 in F.Y. 2001.

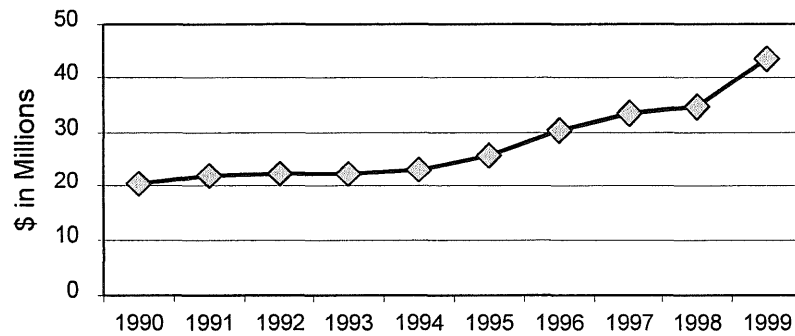
The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the Attorney General.

**2000-01 Biennial Budget
Agency Executive Summary**

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

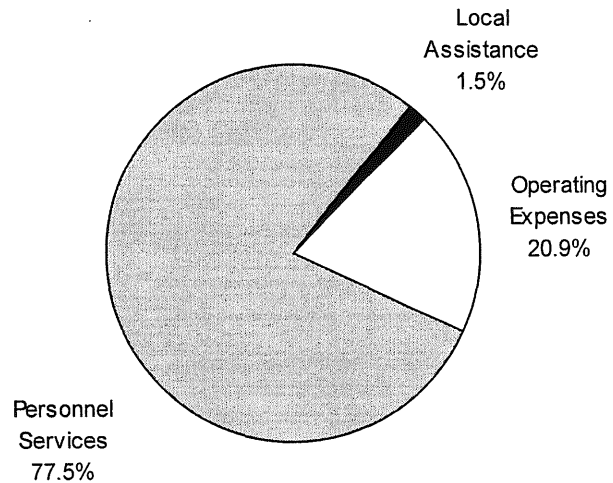
TRENDS AND PERSPECTIVE:

Total Budgets - All Funds



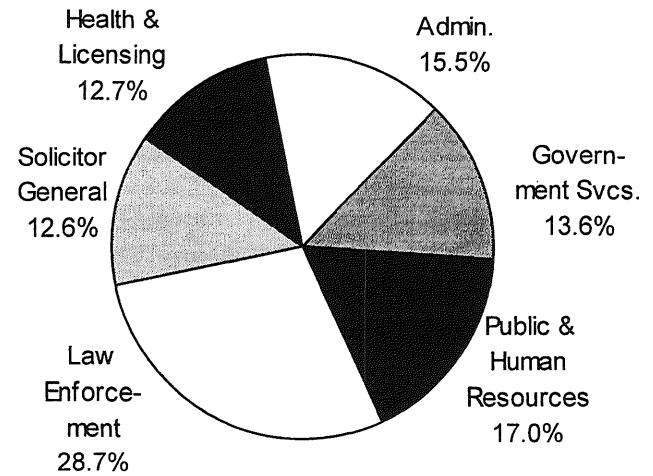
1989-99 Expenditures by Category

Total \$78,467



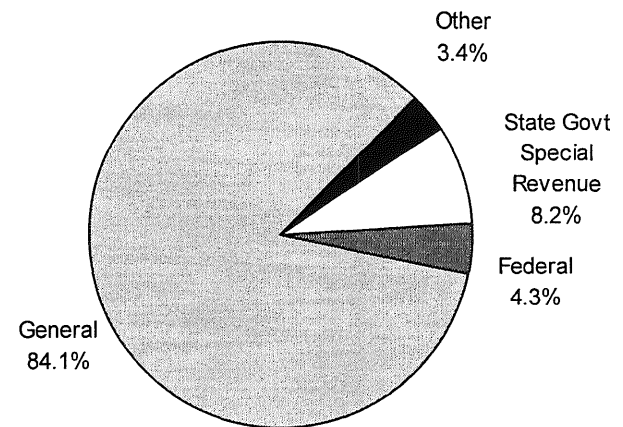
1998-99 Expenditures by Program

Total \$78,467



1989-99 Expenditures by Fund

Total \$78,467



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ATTORNEY GENERAL

Program: ATTORNEY GENERAL

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY ACTIVITY:</u>									
GOVERNMENT SERVICES	4,400	4,575	6,092	5,079	5,079	5,079	5,138	5,138	5,138
PUBLIC AND HUMAN RESOURCES	5,737	5,586	7,725	3,421	3,421	3,421	3,433	3,433	3,433
LAW ENFORCEMENT	10,249	11,800	12,253	11,177	11,177	11,177	11,318	11,318	11,318
SOLICITOR GENERAL	3,735	4,104	5,748	5,098	5,098	5,098	5,144	5,144	5,144
HEALTH & LICENSING	4,410	4,501	5,460	3,417	3,417	3,417	3,419	3,419	3,419
ADMINISTRATION	5,017	5,200	6,956	7,004	7,995	7,550	6,914	7,826	8,006
Total Expenditures	33,548	35,766	44,234	35,196	36,187	35,742	35,366	36,278	36,458

<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) INFORMATION TECHNOLOGY REQUEST	GEN			991			912		
(B) CASE LOAD INCREASE	GEN				491			998	
(B) NON-SALARY INFLATION	GEN				55			94	
Total Change Items				991	546		912	1,092	

<u>FINANCING BY FUND:</u>									
<u>DIRECT APPROPRIATIONS:</u>									
GENERAL	25,968	26,593	30,291	24,554	25,545	25,100	24,940	25,852	26,032
STATE GOVERNMENT SPECIAL REVENUE	2,923	2,928	3,471	1,713	1,713	1,713	1,717	1,717	1,717
ENVIRONMENTAL	126	127	132	135	135	135	138	138	138
SOLID WASTE	383	351	544	460	460	460	470	470	470
<u>STATUTORY APPROPRIATIONS:</u>									
GENERAL	2,538	3,237	5,876	5,206	5,206	5,206	4,947	4,947	4,947
PETROLEUM TANK RELEASE CLEANUP	73	104	119	0	0	0	0	0	0
SPECIAL REVENUE	73	191	388	272	272	272	272	272	272
FEDERAL	1,179	990	2,347	2,331	2,331	2,331	2,357	2,357	2,357
ENVIRONMENTAL	89	0	0	0	0	0	0	0	0
AGENCY	54	926	607	525	525	525	525	525	525
HOUSING FINANCE AGENCY	44	80	356	0	0	0	0	0	0
GIFT	98	239	103	0	0	0	0	0	0
Total Financing	33,548	35,766	44,234	35,196	36,187	35,742	35,366	36,278	36,458

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ATTORNEY GENERAL

Program: ATTORNEY GENERAL

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	441.1	487.5	489.5	475.1	477.1	475.1	475.1	477.1	475.1
PART-TIME, SEASONAL, LABOR SER	29.6	44.5	49.6	49.2	49.2	49.2	49.2	49.2	49.2
OVERTIME PAY	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	471.1	532.0	539.1	524.3	526.3	524.3	524.3	526.3	524.3

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Attorney General, Office of (AGO)

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$23,163	\$23,163	\$46,326
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(125)	(125)	(250)
Uniform Pension Bill Reductions	(6)	(6)	(12)
Transfer Between Agencies	593	611	1,204
2000-01 Salary & Benefit	564	1,147	1,711
Documented Rent/Lease Inc/Dec	338	123	461
Statewide Administration Systems	<u>27</u>	<u>27</u>	<u>54</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$24,554	\$24,940	\$49,494
<u>CHANGE ITEMS</u>			
Information Technology Budget Request	<u>991</u>	<u>912</u>	<u>1,903</u>
<u>AGENCY REQUESTS</u>	\$25,545	\$25,852	\$51,397
Non-salary Inflation	55	94	149
Case Load Increase	<u>491</u>	<u>998</u>	<u>1,489</u>
<u>GOVERNOR'S RECOMMENDATION</u>	\$25,100	\$26,032	\$51,132

Brief Explanation of Budget Decisions:

- In addition to direct appropriations, the AGO receives funds from partner agencies for the cost of providing legal services.
- Base adjustments include the removal of \$250,000 for a one-time appropriation for a grant to the D.A.R.E advisory council; \$12,000 reduction for the uniform pension bill reduction; \$1.204 million as a transfer from the Department of Finance for accounts receivable collections work associated with the Minnesota Collections Enterprise (MCE) appropriation; \$1.711 million for F.Y. 2000-01 salary and benefit compensation; \$461,000 for documented rent/lease increases; and \$54,000 for statewide administration systems billings.

- \$1.903 million is requested for information technology change item consisting of maintenance and new initiatives. The AGO has submitted this request to the Minnesota Office of Technology for review.

GOVERNOR'S RECOMMENDATION(S):

Historically, the courts, the legislature, and other constitutional officers have departed somewhat from general budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of power and the desire of other elected state officials to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature it is necessary to identify funding for those offices as part of preparing a completed and balanced budget.

The Governor's general recommendations for the constitutional offices reflect his firm commitment to minimizing the overall growth of government and the resulting tax burden on Minnesota taxpayers. Therefore, the Governor recommends funding to maintain the existing level of appropriations previously established by the legislature and recommends increasing that level only for salary and non-salary inflation.

For the Office of State Attorney General, the Governor's recommendation includes \$1.7 million for salary inflation and \$149,000 for non-salary inflation.

In addition, the Governor recognizes that demands for service have increased throughout the entire legal system. In particular, requests facing the Office of Attorney General for both law enforcement services to local units of government and for state government agency services need to be addressed. To address these demands the Governor recommends a funding increase equivalent to two percent each year amounting to \$491,000 in F.Y. 2000 and \$998,000 in F.Y. 2001.

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

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Attorney General, Office of (AGO)

Fund: State Govt. Special Revenue

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$1,924	\$1,924	\$3,848
<u>BASE ADJUSTMENT</u>			
Workload Change	(211)	(207)	(418)
<u>AGENCY REQUEST</u>	\$1,713	\$1,717	\$3,430
<u>CHANGE ITEMS</u>			
None	-0-	-0-	-0-
GOVERNOR'S RECOMMENDATION	\$1,713	\$1,717	\$3,430

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

Brief Explanation of Budget Decisions:

- 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.
- 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.
- The Workload Change Base Adjustment reflects a reduction in legal services needed by the various health boards, due primarily to increased efficiency in the manner that legal documents are drafted and reviewed by the client boards and the increasing use of specific delegations regarding drafting and investigations to the boards.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Attorney General, Office of (AGO)

Fund: Environmental

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$131	\$131	\$262
<u>BASE ADJUSTMENT</u>			
2000-01 Salary & Benefit	4	7	11
<u>AGENCY REQUEST</u>	\$135	\$138	\$273
<u>CHANGE ITEMS</u>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATION	\$135	\$138	\$273

Brief Explanation of Budget Decisions:

- 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 departments of Transportation and 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 type explanation here.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Attorney General, Office of (AGO)

Fund: Solid Waste

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$450	\$450	\$900
<u>BASE ADJUSTMENT</u>			
2000-01 Salary & Benefit	<u>10</u>	<u>20</u>	<u>30</u>
<u>AGENCY REQUEST</u>	\$460	\$470	\$930
<u>CHANGE ITEMS</u>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATION	\$460	\$470	\$930

Brief Explanation of Budget Decisions:

- 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; and to assist local governments in the defense of selected lawsuits challenging local government implementation of state solid waste programs.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

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**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Attorney General, Office of (AGO)

REVENUE SOURCES:

The AGO generates non-dedicated, dedicated revenue and federal funds. The majority of non-dedicated revenue is generated as a result of the tobacco litigation settlement. Revenue is also generated through legal services provided to other state agencies as provided for under M.S. 8.15. Other non-dedicated revenues are associated with assurance of discontinuance, civil penalties and restitution of legal costs. Funds collected are deposited in the state's General Fund and also the Cambridge Deposit Fund. We anticipate non-dedicated revenues to be \$363.3 million in F.Y. 2000 and \$376.0 million in F.Y. 2001.

Dedicated revenue is received through interagency agreements, federal grants and indirect costs associated with those federal grants. Federal funds are received from the Department of Health and Human Services-Medicaid Fraud grant, Office of Justice Program-Narcotics grant and Office of Justice Program-Weed and Seed grant. Revenue to be received is estimated to be \$8.3 million in F.Y. 2000 and \$8.1 million in F.Y. 2000.

FEE STRUCTURE:

Fees for attorney general services are based on the recovery of costs as provided under M.S. 8.15.

RECENT CHANGES:

As a result of the tobacco litigation settlement, the non-dedicated revenues have significantly increased from F.Y. 1998 and going forward.

FORECAST BASIS:

Forecasts are based on both prior history and settlement documents.

CHANGE ITEMS:

No change item is being requested.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ATTORNEY GENERAL

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<u>NON-DEDICATED REVENUE:</u>									
DEPARTMENTAL EARNINGS (INTER-AGENCY):									
GENERAL	5,729	5,318	5,000	5,000	5,000	5,000	5,000	(318)	-3.1%
DEPARTMENTAL EARNINGS:									
CAMBRIDGE DEPOSIT FUND	252	283	232	232	232	232	232	(51)	-9.9%
OTHER REVENUES:									
GENERAL	768	1,383	461,800	358,000	358,000	370,750	370,750	265,567	57.3%
OTHER SOURCES:									
GENERAL	6	0	0	0	0	0	0	0	
Total Non-Dedicated Receipts	6,755	6,984	467,032	363,232	363,232	375,982	375,982	265,198	55.9%
<u>DEDICATED RECEIPTS:</u>									
DEPARTMENTAL EARNINGS (INTER-AGENCY):									
GENERAL	1,793	3,315	5,057	5,196	5,196	4,937	4,937	1,761	21.0%
ENVIRONMENTAL	89	0	0	0	0	0	0	0	
GRANTS:									
FEDERAL	1,043	961	2,321	2,331	2,331	2,357	2,357	1,406	42.8%
OTHER REVENUES:									
GENERAL	75	230	169	10	10	10	10	(379)	-95.0%
SPECIAL REVENUE	291	283	389	272	272	272	272	(128)	-19.0%
AGENCY	1,157	639	798	525	525	525	525	(387)	-26.9%
GIFT	198	210	4	0	0	0	0	(214)	-100.0%
Total Dedicated Receipts	4,646	5,638	8,738	8,334	8,334	8,101	8,101	2,059	14.3%
Agency Total Revenues	11,401	12,622	475,770	371,566	371,566	384,083	384,083	267,257	54.7%

**2000-2001 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Attorney General, Office of (AGO)

The AGO receives federal funds for the following activities:

- The Health Care Fraud Demonstration grant began in F.Y. 1996 with 100% federal funding the first year and a 25% state match requirement the second year. The grant allowed the AGO to expand its efforts investigating and prosecuting health care fraud. The AGO no longer is involved with this federal grant.
- The Medicaid Fraud grant allows the AGO to continue investigating and prosecuting fraud in the Medicaid program. This grant has a 25% state match requirement. 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 requirement. The AGO anticipates continued funding of this grant.
- The Weed and Seed grant began as a federal program with a strategy designed to assist neighborhoods prevent crime and restore neighborhoods by "weeding out" violent crime, drug use, gang activity and nuisance crimes and by "seeding" the area with a wide range of programs, services and rehabilitation efforts from both public and private entities. Weed and Seed strategies are developed and implemented by a local steering committee, and must include the following 4 elements: 1) law enforcement, 2) community policing, 3) prevention, intervention and treatment, and 4) neighborhood restoration.

In 1996, Minnesota was the first state in the nation to create its own statewide Weed and Seed Initiative, when the legislature appropriated funding for four pilot Weed and Seed sites to the Department of Public Safety. An appropriation of \$2.25 million to the Department of Public Safety was used to leverage approximately \$2 million per year from the federal Weed and Seed program.

Today, Minnesota has been selected as the only state in the nation to manage the federal Weed and Seed Initiative on behalf of the Department of Justice. In 1998, the federal Executive Office for Weed and Seed awarded \$1.3 million to the Attorney General for the 9 federally recognized Weed and Seed sites around the state and for management of the federal program on behalf of the Executive Office for Weed and Seed (EOWS).

**2000-2001 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

(Cont.)

Agency: Attorney General, Office of (AGO)

Federal Program	Related State Spending	Primary Purpose	SFY 1998 Revenues	SFY 1999 Revenues	Estimated SFY 2000 Revenues	Estimated SFY 2001 Revenues
Office of Justice Program - Health Care Fraud Demonstration	Yes	SO	138	17	-0-	-0-
Department of Health and Human Services - Medicaid Fraud Control Unit	Yes	SO	698	855	881	907
Office of Justice Program - Narcotics	Yes	SO	154	169	150	150
Office of Justice Program - Weed and Seed	No	GPS	-0-	1,300	1,300	1,300
Agency Total			990	2,341	2,331	2,357

KEY:

SO - State Operations
GPS - Grants to Political Subdivisions
GI - Grants to Individuals

2000-01 Biennial Budget

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

ACTIVITY PROFILE: *Functions:*

- Litigation to enforce and defend Agency authority
- General Counsel Role
- Transactions: Real Estate, Contracts and Grants, Bonding
- Prevention and Training

STRATEGIES, PERFORMANCE AND CHALLENGES

Labor Division

Strategies and Performance:

- In F.Y. 1998, compelled restitution for misappropriation of up to \$1 million of state and federal grant funds on behalf of the Department of Economic Security.
- Defended the constitutionality of the wage loss benefits coordination between the MSRS and workers' compensation system to ensure employees do not receive double-recovery.
- Litigated over 100 cases in F.Y. 1998 to preserve the resources of state funds for injured and retired workers.

Challenges

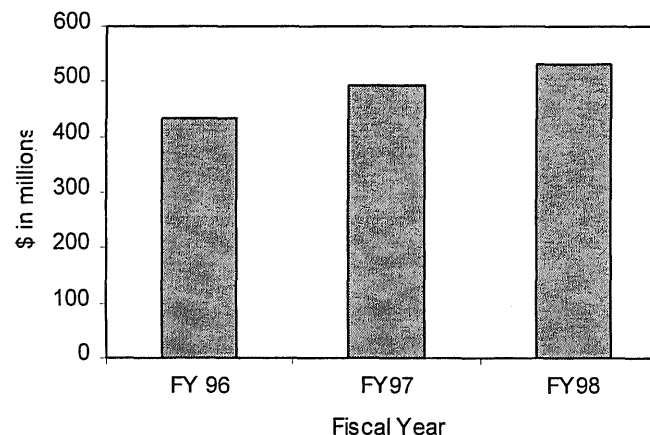
- Help administer new federal and state workplace safety standards for ergonomics, fall protection and tobacco smoke.
- Work with DOLI Legal Services to shift certain cases involving the defense of the Special Compensation Fund to them, allowing the AGO to more efficiently use its resources by concentrating on enforcement of the requirement that all employers have compensation insurance.

Public Finance/Opinions Division:

Strategies and Performance:

- In F.Y. 1998, 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.
- Assisted in state issuance of over \$531 million in general obligation bonds and over \$441 million in revenue bonds in F.Y. 1998.

GO Bonds Issued



Challenges

- Maximize the value and protection obtained by the state in contracts including, in particular, the Year 2000 warranty issues. Assist in debt and lease-purchase transactions, which permit state agencies to maximize 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.
- Provide more efficient, consistent and coordinated legal services by consolidating general counsel representation for 38 state boards and 11 state agencies and offices with an experienced team of attorneys and legal assistants.

Public Safety Division

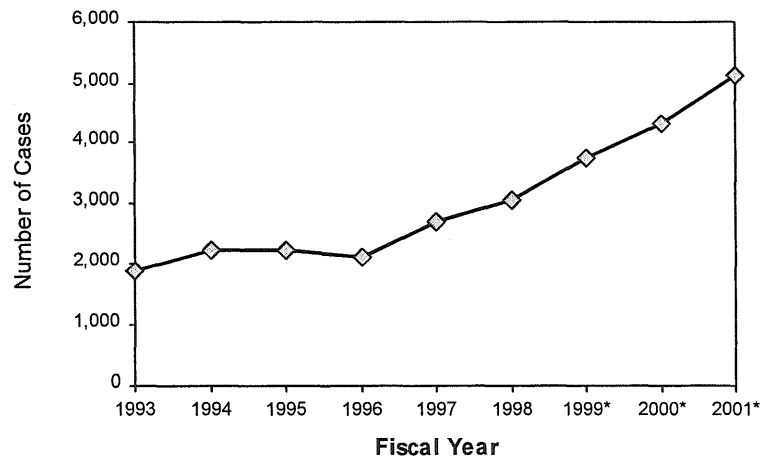
Strategies and Performance

- Handled over 3,000 implied consent cases (drunk driver license revocations and/or plate impoundments) in F.Y. 1998 in Minnesota's district courts. This represents a 43% increase in caseload from F.Y. 1996. Despite sharp increases in cases, the division's litigation success rate remains at 87%.
- Successfully defended over 100 §179.19 petitions (court actions to regain driving privileges filed by the most severe DWI offenders who have had their driver's licenses "canceled and denied as inimical to public safety") in F.Y. 1998. This represents a 60% increase in § 171.19 caseload for the division since 1993.
- Initiated or defended over 70 drunk-driving related appeals having statewide impact in F.Y. 1998.

2000-01 Biennial Budget

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

INCREASE IN IMPLIED CONSENT CASES 1993 - 2001 (Projected*)



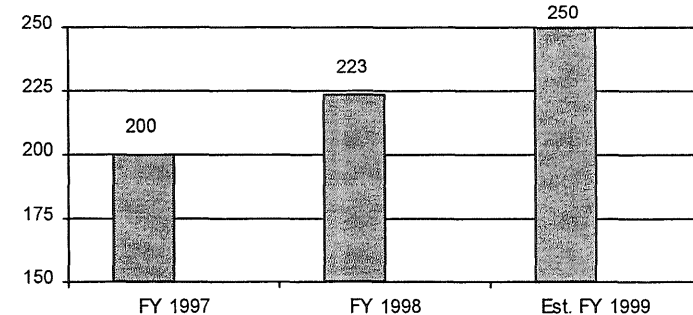
Challenges

- Remove drunk drivers from the roads through the vigorous and uniform enforcement of implied consent and drunk driving laws. With a projected annual 19% increase in challenges to license revocations, this challenge cannot be met without dramatically increasing resources.
- Defend at the appellate court level the constitutionality of the myriad of recent statutory amendments to the implied consent and DWI laws.

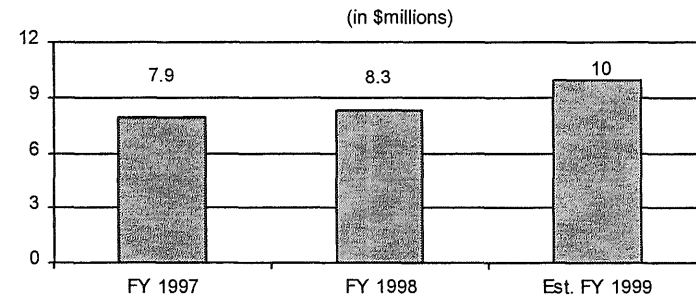
Transportation Division Strategies and Performance

- Litigated increased eminent domain caseload for trunk highway projects. The number of parcels acquired through condemnation has increased from 200 in F.Y. 1997 to 223 in F.Y. 1998 and it is estimated that 250 will be acquired by condemnation in F.Y. 1999. The amounts paid out in condemnation awards has risen from \$7.9 million in F.Y. 1997 to \$8.3 million in F.Y. 1998 and the amount estimated for F.Y. 1999 is \$10 million. There are currently 600 parcels in pending actions, which are likely to cost the state over \$25 million. It is anticipated that federal highway funding will increase the state's construction budget by almost 15% to \$500 million in each F.Y. 1999 and F.Y. 2000, resulting in a commensurate increase in condemnation activity over the same period of time.

Parcels in Condemnation



Condemnation Awards



- Defended a significant number of major cases including a challenge to the constitutionality of the federally-mandated DBE/WBE program; a challenge to Transportation's administration of its directional sign program rules and

2000-01 Biennial Budget

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

administration by a Minnesota Indian tribe; and an attempt to expand the rights of landowners to compensation for changes of access resulting from highway construction projects.

Challenges

- **Eminent Domain: Rising to the Challenge.** The number of major condemnation actions increase with the increased construction planned and underway in the metropolitan area. Projects such as the new bridge over the Mississippi on I-494, the expansions of TH 12 and TH 5, and other such projects through major commercial areas result in increasingly complex and expensive acquisitions which require experienced litigators. It is anticipated that MnDOT's construction budget will increase by 15% to \$500 million in the next fiscal year which will increase pressure on its property acquisition legal needs.
- Partner with MnDOT to develop redundancy through greater use of MnDOT personnel in areas of special legal needs such as title research, contract negotiations and final review, rulemaking, and conducting preliminary hearings/meetings in eminent domain cases.

Telecommunications and Energy Division

Strategies and Performance

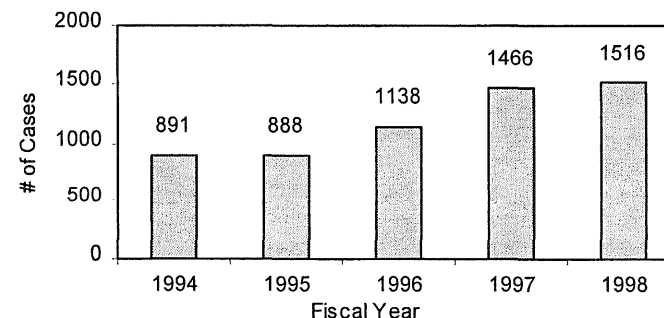
- **Local Service Competition** - represented the department in its efforts to open the local service market to competitors and set the prices at which the state's largest local service provider must make components of its network available to competitors.
- **Rate Cases** - represented the department in all telephone, gas and electric rate cases. Most recently, attorneys succeeded in reducing a gas company's rate request by \$4.9 million through litigation and settlement.

Challenges

- The telecommunications industry is experiencing massive changes being executed primarily by new laws and through litigation. The Telecommunications and Energy Division will continue to be challenged to

handle the increased caseload generated by industry restructuring efforts. Changes in state law in 1995 and in federal law in 1996 to promote competition in local service telephone markets were associated with a dramatic increase in telephone filings. This increase, illustrated below, is expected to continue.

**Telephone Cases Opened
by Fiscal Year**



- The electric utility industry is beginning to look at restructuring to a more competition-oriented market and regulatory structure. As this process continues, the division will be challenged to handle the inevitable increase in litigation associated with major industry restructuring.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ATTORNEY GENERAL
Program: ATTORNEY GENERAL
Activity: GOVERNMENT SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	3,839	4,118	5,587	5,294	5,294	5,294	5,358	5,358	5,358
OPERATING EXPENSES	561	457	505	184	184	184	184	184	184
TRANSFERS	0	0	0	(399)	(399)	(399)	(404)	(404)	(404)
SUBTOTAL STATE OPERATIONS	4,400	4,575	6,092	5,079	5,079	5,079	5,138	5,138	5,138
Total Expenditures	4,400	4,575	6,092	5,079	5,079	5,079	5,138	5,138	5,138
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	4,341	3,999	4,303	3,997	3,997	3,997	4,014	4,014	4,014
STATUTORY APPROPRIATIONS:									
GENERAL	15	496	1,433	1,082	1,082	1,082	1,124	1,124	1,124
HOUSING FINANCE AGENCY	44	80	356	0	0	0	0	0	0
Total Financing	4,400	4,575	6,092	5,079	5,079	5,079	5,138	5,138	5,138
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	73.5	78.8	83.7	76.2	76.2	76.2	76.2	76.2	76.2
PART-TIME, SEASONAL, LABOR SER	1.4	4.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
Total Full-Time Equivalent	74.9	83.1	89.0	81.5	81.5	81.5	81.5	81.5	81.5

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2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Functions:

- Litigation to enforce and defend Agency authority
- General Counsel Role
- Transactions: Real Estate, Contracts and Grants, Bonding
- Prevention and Training

STRATEGIES, PERFORMANCE AND CHALLENGES:

Agriculture and Natural Resources Division

Strategies And Performance

- Indian law: Advised many state agencies on tribal sovereignty, boundaries, scope of state enforcement and regulatory coordination. Defended the state in the Mille Lacs and Fond du Lac treaty disputes; successfully obtained review of the Mille Lacs 1837 treaty case by the United States Supreme Court (the case is pending);
- Wetlands: Defended the state's efforts to protect groundwater and habitat from inappropriate development.

Challenges

- Continued emphasis on eco-system based management and sustainable development has increased the complexity of natural resources management and the need to coordinate overlapping land use planning responsibilities of the federal, state and local governments.
- Indian tribes have more aggressively asserted their sovereignty. Every area of state regulation is affected.

Environmental Protection Division

Strategies and Performance

- Environmental Review: Provided client advice and litigation defense for several significant, highly visible disputes, including the proposed Kondrator metal shredder in the City of Minneapolis, the University of Minnesota steam plant, Potlatch expansion in Cook County, and animal feedlot expansion.
- Environmental Cleanup: Provided legal support to the State Superfund, Voluntary Investigation and Cleanup (VIC), Landfill Cleanup, Petroleum Tank

Cleanup and Dry Cleaner Facility Cleanup programs. This included negotiation of cleanup settlements, interpretation of applicable state and federal statutes and rules, cost recovery and other litigation.

- "Brownfield" Reclamation: AGO staff played a critical role in the development of Minnesota's program to reclaim polluted industrial sites.
- Landfill Cleanup: The division's efforts have saved the state \$10 to \$20 million by careful review of the state's reimbursement of landfill-related costs incurred by responsible parties.
- Superfund: Our staff has played a key role at the state and federal level in protecting the superfund and its goals.
- Recovered \$3,198,000 from insurance companies to help pay the cost of cleaning up contaminated landfills.

Challenges

- The statutory environmental review process appears to be creating expensive, redundant review and litigation. The Minnesota Environmental Rights Act and Minnesota Environmental Policies Act should be reexamined to determine if they can be better coordinated.
- Negotiations with insurance carriers to contribute to landfill cleanup will increase in the coming biennium as the data base on policyholders is built. Negotiations with several carriers for global settlements at all sites are underway.

Education Division

Strategies and Performance

- Helped effectively consolidate the multiple policies for employment, student records, purchasing, leases, risk management, student discipline and many others arising from merger of three higher education systems.
- Handled a significant increase in teacher licensing complaints.
- Extensive legal research in school desegregation, statewide test security, diversity policies, campus security and student discipline.

Challenges

- The increased use of technology in education raises complex questions including privacy, intellectual property, academic standards, attendance, and testing security.
- Keeping up with the increasing number of teacher licensing investigations, and exploring alternative dispute resolution methods.

2000-01 Biennial Budget

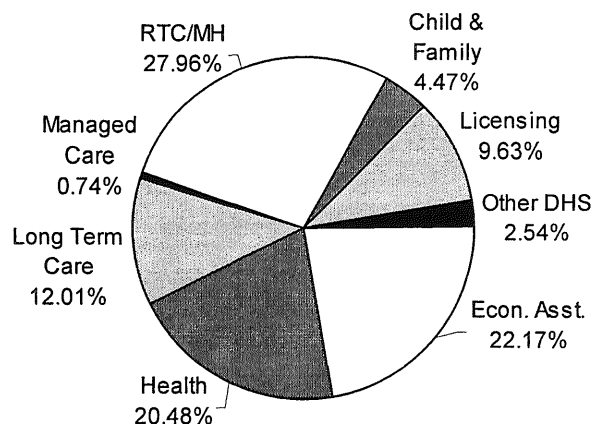
BUDGET ACTIVITY: Public and Human Resources
PROGRAM: Attorney General, Office of (AGO)
AGENCY: Attorney General, Office of (AGO)
(Continuation)

Human Services Division

Strategies and Performance

- Medical Assistance: Successfully defended challenges to eligibility and payment statutes, and the right to recover from third parties.
- Managed Care: Assisted Department of Human Services (DHS) with the development of a new long-term care payment system.
- Constitutional Challenges: Defended several state statutes intended to implement welfare reform, and child support enforcement.
- Citizen Calls: Responded to hundreds of citizen calls and letters seeking assistance on human services programs and employee rights.

Workload Distribution



Challenges

- Background checks are being extended to an increasing number of professions. Appeals from disqualification from employment in licensed facilities are steady.
- Assist DHS to negotiate contracts to provide comprehensive medical services to persons who are poor and uninsured, at an affordable cost and with sufficient accountability for quality care.

Public Utilities Commission

Strategies and Performance

- Successfully defended PUC's first attempt to attach a dollar value to the environmental cost of energy production.
- Handled a broad range of developments following the deregulation of the telecommunications industry, including 70 complex interconnection contracts. Eight cases, involving 11 contracts, are pending in federal district court. These actions did not exist prior to the Telecommunications Act of 1996.

Challenges

- The rise in complaints against US West for failing to abide by its interconnection contracts.
- Restructuring and deregulation of the gas and electricity industries.

BUDGET ISSUES:

This activity provides a wide range of legal services to numerous state agencies. The AGO focuses on providing efficient, cost-effective advice and solutions. The office must ensure that it retains flexibility among the funds that are appropriated or transferred to the office from other agencies so that legal service needs are met. As competing needs arise the AGO must work with agencies to develop, whenever possible, strategies which provide appropriate services within budget restrictions. Some strategies include education/training of agency staff, seeking alternatives to litigation, such as alternative dispute resolution.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ATTORNEY GENERAL

Program: ATTORNEY GENERAL

Activity: PUBLIC AND HUMAN RESOURCES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	4.486	4.863	6.673	6.892	6.892	6.892	6.999	6.999	6.999
OPERATING EXPENSES	1.251	723	1.052	349	349	349	341	341	341
TRANSFERS	0	0	0	(3.820)	(3.820)	(3.820)	(3.907)	(3.907)	(3.907)
SUBTOTAL STATE OPERATIONS	5.737	5.586	7.725	3.421	3.421	3.421	3.433	3.433	3.433
Total Expenditures	5.737	5.586	7.725	3.421	3.421	3.421	3.433	3.433	3.433
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	4.908	4.933	4.088	671	671	671	586	586	586
SOLID WASTE	383	351	544	460	460	460	470	470	470
STATUTORY APPROPRIATIONS:									
GENERAL	226	301	3.093	2.290	2.290	2.290	2.377	2.377	2.377
FEDERAL	131	1	0	0	0	0	0	0	0
ENVIRONMENTAL	89	0	0	0	0	0	0	0	0
Total Financing	5.737	5.586	7.725	3.421	3.421	3.421	3.433	3.433	3.433
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	88.6	100.5	93.9	94.4	94.4	94.4	94.4	94.4	94.4
PART-TIME, SEASONAL, LABOR SER	7.2	9.3	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Total Full-Time Equivalent	95.8	109.8	105.4	105.9	105.9	105.9	105.9	105.9	105.9

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Functions and Divisions: Criminal and Medicaid Fraud Divisions

- Prosecuting Violent, Gang, Drug, and Complex Crimes Statewide
- Defending Felony Convictions Upon Appeal
- Providing Specialized Investigative Expertise and Training
- Investigating and Prosecuting Medicaid Fraud

STRATEGIES, PERFORMANCE AND CHALLENGES

Strategies and Performance

Murder Convictions

- Obtained murder convictions in 8 cases statewide, in F.Y. 1997-98, including a conviction of a Gangster Disciple in an Itasca county murder. Provided prosecutorial help in 12 other difficult murder cases in Hubbard, Kandiyohi, Cottonwood, Polk, Meeker and Morrison counties during the same time period.
- Successfully handled a growing number of referrals without additional resources. Murder referrals have grown from 4 in F.Y. 1996, to 8 in F.Y. 1997, to 16 in F.Y. 1998.

Gang Prosecutions

- Advised the new Gang Strike Force and successfully prosecuted or assisted in prosecuting 26 gang-related cases in the past year.
- Cases included narcotics, assault, kidnaping and firearms convictions, as well as witness tampering and sexual assault for the benefit of a gang.

Drugs

- Drug prosecutors, operating under the federal Byrne Grant program, opened a total of 199 drug cases in F.Y. 1997-98. By 10-1-98, 150 convictions had been obtained; 45 of these files were still pending.
- Prosecutors successfully targeted a new and dangerous drug threat: clandestinely operated methamphetamine labs.

White Collar

- Investigated and convicted an insurance agent who swindled 37, mostly elderly, victims in 25 counties out of \$350,000.

- Investigated and convicted a defendant for falsely billing more than \$80,000 for environmental cleanup work never performed.
- Assisted U.S. Attorney investigation and prosecution of a Blue Earth rendering plant's water pollution, resulting in a \$4 million fine, which included \$1 million in restitution for the Blue Earth River.

Weed and Seed

- In 1996, the state of Minnesota funded its own Weed and Seed Initiative--the first in the country to be state-funded. Thus far, the legislature has funded 13 state Weed and Seed sites, 7 in the metropolitan area and 6 in Greater Minnesota.

Project Areas

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.

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. Some statistics include:

- In 1997, 74,000 Minnesota 5th and 6th graders graduated from the D.A.R.E. program.

Criminal Appeals

- Convictions were successfully upheld in over 90% of the numerous appeals handled by the division.
- In 1996 there were 253 appellate matters handled. By 1998, the number rose to 301.

Medicaid Fraud

- Recovered over \$1.5 million in Medicaid Fraud cases in F.Y. 1998.

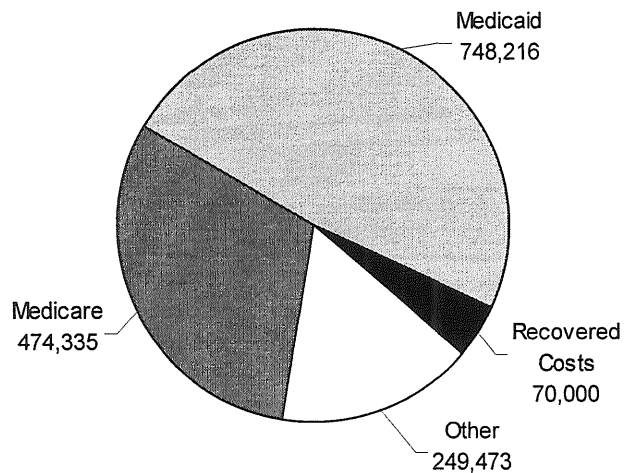
Challenges

- Provide prosecutorial assistance to the Minnesota Gang Strike Force. Work generated by the Task Force --for administrative advice, legal advice to investigators and criminal prosecution work in state and federal courts --necessitates assigning additional attorneys.

2000-01 Biennial Budget

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

Court Ordered Recoveries

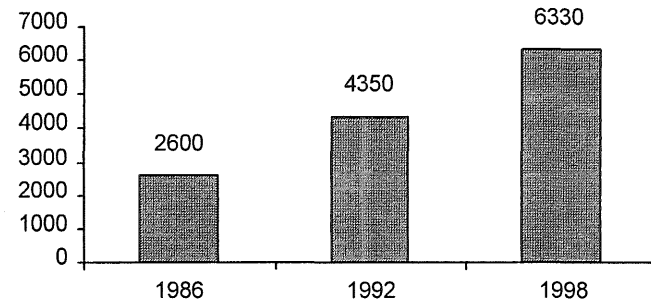


- Provide sufficient prosecutorial assistance, and victim witness help, to handle steadily increasing homicide referrals.
- Provide sufficient appellate assistance to handle the increasing levels of appeals and federal habeas corpus challenges.

Functions: Civil Division--Consumer Protection and Market Integrity

- Advocating on Behalf of Citizens and Small Businesses
- Overseeing Charitable Organizations

Growth in Registered Charitable Organizations



Investigating and Litigating Against Unlawful, Anticompetitive Business Practices

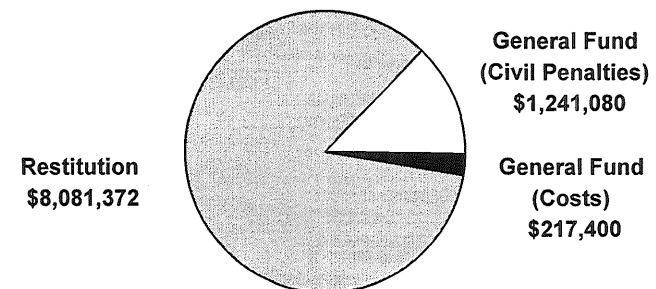
STRATEGIES, PERFORMANCE AND CHALLENGES

Enforcement/Mediation

- In F.Y. 1997-98, successfully litigated or settled over 40 law enforcement actions, obtaining \$1.4 million in judgments for the state; \$8 million in restitution for consumers; and injunctive relief that stopped or reformed illegal business practices. (These figures do NOT include the landmark tobacco settlement.)

\$9.5 Million in Civil Enforcement Recoveries

F.Y. 1997-98



- Saved residential and small business consumers \$1.5 million in their utilities bills through representation before the Public Utilities Commission or mediation with utilities companies.

2000-01 Biennial Budget

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

Education

- Produced and distributed thousands of brochures and maintained the consumer website, providing easy access to an array of consumer and charities information.

Antitrust Enforcement

- Distributed approximately \$6.3 million to more than 42,000 Minnesota consumers as a result of price fixing settlements with infant formula manufacturers.
- Distributed more than \$568,000 to 107 Minnesota school districts following settlements of school milk bid rigging and market allocation allegations.

Consumer Services

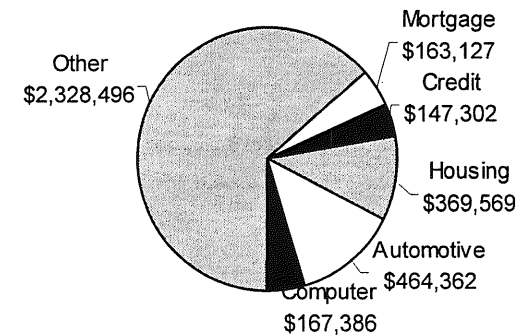
- Recovered over \$3.6 million for consumers in F.Y. 1997-98.
- Handled approximately 500 citizen inquiries per day, and prevented economic loss through the advice given. In F.Y. 1998, the division received almost 11,000 written complaints.

Challenges

Civil Enforcement and Consumer Services

- Handle volume. Continue to handle the very large number of consumer complaints filed with the AGO in a prompt, appropriate fashion.

Consumer Recoveries in F.Y. 1997-1998



- Act as the voice for small consumers in the critical utilities deregulation debates and bring enforcement actions, as necessary, to ensure that lessened regulation does not allow new fraudulent practices such as “slamming” and “cramming” of telephone services to thrive.
- Educate Minnesota consumers and donors and on their rights and responsibilities in today’s dynamic marketplace.

Antitrust

- Continue to protect consumers from the impacts of industry restructuring as mergers and acquisitions skyrocket.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ATTORNEY GENERAL

Program: ATTORNEY GENERAL

Activity: LAW ENFORCEMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	7,907	8,759	8,091	8,248	8,248	8,248	8,383	8,383	8,383
OPERATING EXPENSES	2,342	3,041	2,937	1,704	1,704	1,704	1,710	1,710	1,710
SUBTOTAL STATE OPERATIONS	10,249	11,800	11,028	9,952	9,952	9,952	10,093	10,093	10,093
LOCAL ASSISTANCE	0	0	1,225	1,225	1,225	1,225	1,225	1,225	1,225
Total Expenditures	10,249	11,800	12,253	11,177	11,177	11,177	11,318	11,318	11,318
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	7,615	7,846	8,526	8,118	8,118	8,118	8,230	8,230	8,230
STATE GOVERNMENT SPECIAL REVENUE	20	21	21	21	21	21	21	21	21
ENVIRONMENTAL	126	127	132	135	135	135	138	138	138
STATUTORY APPROPRIATIONS:									
GENERAL	1,350	1,707	342	0	0	0	0	0	0
SPECIAL REVENUE	5	14	200	47	47	47	47	47	47
FEDERAL	1,033	989	2,347	2,331	2,331	2,331	2,357	2,357	2,357
AGENCY	54	926	607	525	525	525	525	525	525
GIFT	46	170	78	0	0	0	0	0	0
Total Financing	10,249	11,800	12,253	11,177	11,177	11,177	11,318	11,318	11,318
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	101.2	125.1	123.5	131.4	131.4	131.4	131.4	131.4	131.4
PART-TIME, SEASONAL, LABOR SER	9.9	5.8	9.5	11.0	11.0	11.0	11.0	11.0	11.0
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	111.2	130.9	133.0	142.4	142.4	142.4	142.4	142.4	142.4

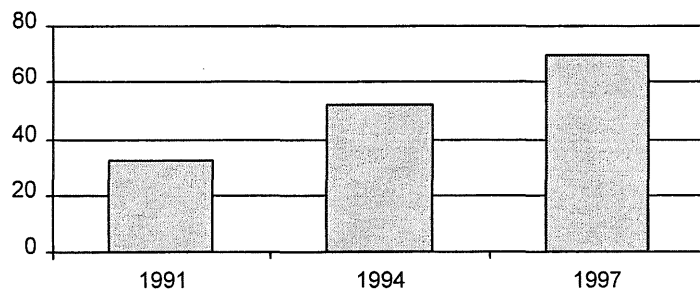
BUDGET ACTIVITY: Solicitor General
PROGRAM: Attorney General, Office of (AGO)
AGENCY: Attorney General, Office of (AGO)

ACTIVITY PROFILE:

Functions and Divisions:

- Defense of Tort Claims
- Defense of Employment Claims

**Increase in Pending Employment Civil Filings
F.Y. 1991-97**



- Construction Litigation and Environmental Compliance
- Prisoner Litigation
- Constitutional Litigation
- Commerce, Gambling and Commercial Litigation

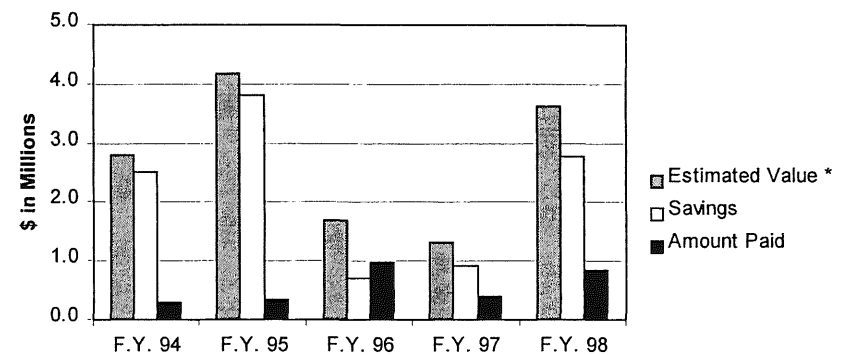
STRATEGIES AND PERFORMANCE:

Strategies and Performance:

■ Tort Claims Division

In defending the state against tort claims, the Tort Claims Division has had great success in limiting the number of lawsuits filed against the state and the amount of money paid out on those claims. Although approximately 600 claims are filed annually, less than ten percent of those claims result in lawsuits.

Savings Achieved by Trt Claims Division F.Y. 1994-98



* Estimated Value is comparable to the term "reserved amount" used by insurance companies.

■ Employment Law Division

This division handles the defense of state employment cases and legal advice and training provided to state agencies. It is very efficient in resolving cases either through motions for summary judgment or by the use of alternative dispute resolution, which has saved the state hundreds of thousands of dollars.

■ Civil Litigation Division

This division handles both the constitutional and prisoner litigation for the AGO. The division has also enjoyed great success in handling the high volume of inmate lawsuits, almost all of which are resolved in favor of the state. In

2000-01 Biennial Budget

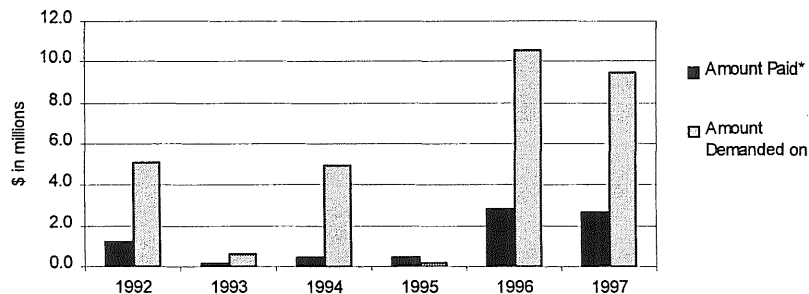
BUDGET ACTIVITY: Solicitor General
PROGRAM: Attorney General, Office of (AGO)
AGENCY: Attorney General, Office of (AGO)
 (Continuation)

addition, division lawyers assigned to the prisoner litigation successfully defended a growing number of cases challenging the validity of requirements that inmates complete sex offender and substance abuse treatment.

■ Construction Litigation Division and Environmental Compliance Division

This division is responsible for the state construction litigation and environmental compliance legal services. The division helped save the state nearly \$7 million in several recent cases brought by contractors seeking over \$10 million in additional compensation on highway construction projects.

Construction Claims/State Dollars Saved
 C.Y. 1992-97



*Amount paid, reduced by amount recovered by AGO for defective design and construction.

■ Commerce, Gambling and Commercial Litigation Division

This division handles the state's commercial litigation work. In F.Y. 1997-98, the division directly collected more than \$4 million for various state agencies as a result of its litigation and collection efforts. In addition, the division protected several hundred thousand dollars in state judgments by intervening

in bankruptcy actions to object to the dischargeability of debts owed to the state. The division also provided extensive legal advice to MCE and other state agencies to help them improve and expedite their debt collection efforts, and the division drafted significant revisions to the state's debt collection statute.

Challenges:

■ Tort Claims

Recent cases present 2 significant challenges for the division. First, the Minnesota Supreme Court has recently recognized for the first time a right to privacy which is enforceable under tort law. Second, recent developments in constitutional due process law provide state employees a right to a hearing before they can be denied defense and indemnification in personal injury cases brought against them.

■ Employment Law Claims

Prevention and early recognition of potential employment claims will continue to be a priority.

■ Constitutional Litigation

The AGO will have the major task in the upcoming biennium of continuing the defense of the *NAACP v. State*, *Xiong v. State*, and *ISD No. 625 (St. Paul) v. State* challenges to the adequacy of the Minneapolis and St. Paul school systems. Trials of one or more of the cases may extend into the 2000-01 biennium, and even if they do not, the inevitable appeals will continue for some time. Any one of those cases alone would be a significant drain on resources. The combined effect, on top of the other typical constitutional defense work, will continue to require substantial resources.

■ Prisoner Litigation

The prison population continues to grow and the Department of Corrections is constructing a new prison at Rush City to absorb some of that growth, possibly generating growth in the number of inmate cases.

2000-01 Biennial Budget

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

■ Construction Litigation

The construction caseload has increased in recent months, reflecting the increase in state construction projects. With the continued growth in federal and state construction funding, (federal highway funding will increase 23% over the next 5 years) the construction caseload is expected to increase.

■ Environmental Compliance

The workload in the environmental compliance area has also increased in the past biennium, and the AGO expects a continued increase for several reasons. First, litigation involving major state projects has become more frequent, as evidenced by the litigation involving the proposed St. Croix River bridge and the Hiawatha Avenue upgrade/light rail projects. Second, client agencies are more aware of environmental issues and request more legal advice in areas such as real estate transactions, hazardous waste management, underground tank management, and wetland protection. Finally, the AGO has devoted more resources to training and assisting clients in understanding and complying with new or changing environmental regulations, such as in storm water management and wetland areas. This demand for assistance on environmental issues is expected to continue for the foreseeable future.

■ Commercial Litigation

The AGO expects to face a growing number of bankruptcy issues, as more state agencies request assistance in dealing with bankruptcy matters.

BUDGET ISSUES:

Legislative action regarding damages in tort and a 25% per year increase in employment law cases as well as increased prisoner litigation has resulted in additional need for legal representation.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ATTORNEY GENERAL

Program: ATTORNEY GENERAL

Activity: SOLICITOR GENERAL

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	3,215	3,711	5,032	4,974	4,974	4,974	5,023	5,023	5,023
OPERATING EXPENSES	520	393	716	247	247	247	247	247	247
TRANSFERS	0	0	0	(123)	(123)	(123)	(126)	(126)	(126)
SUBTOTAL STATE OPERATIONS	3,735	4,104	5,748	5,098	5,098	5,098	5,144	5,144	5,144
Total Expenditures	3,735	4,104	5,748	5,098	5,098	5,098	5,144	5,144	5,144
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	3,584	3,868	5,575	4,034	4,034	4,034	4,500	4,500	4,500
STATUTORY APPROPRIATIONS:									
GENERAL	78	132	54	1,064	1,064	1,064	644	644	644
PETROLEUM TANK RELEASE CLEANUP	73	104	119	0	0	0	0	0	0
Total Financing	3,735	4,104	5,748	5,098	5,098	5,098	5,144	5,144	5,144
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	67.3	71.0	77.6	76.0	76.0	76.0	76.0	76.0	76.0
PART-TIME, SEASONAL, LABOR SER	1.5	3.2	4.5	4.4	4.4	4.4	4.4	4.4	4.4
Total Full-Time Equivalent	68.8	74.2	82.1	80.4	80.4	80.4	80.4	80.4	80.4

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Functions:

- Litigation to enforce and defend Agency authority
- General Counsel Role
- Transactions: Real Estate, Contracts and Grants, Bonding
- Prevention and Training

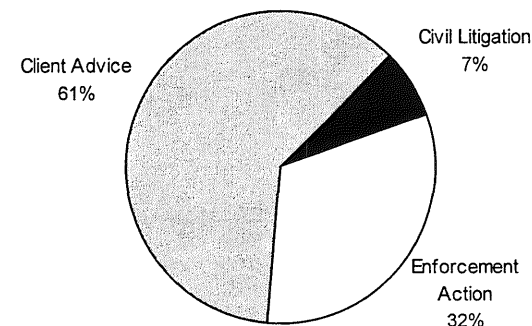
STRATEGIES, PERFORMANCE AND CHALLENGES

Health Division

Strategies and Performance

- Prevent the Spread of Contagious Diseases.
- Fight Fraud So That Needy Mothers and Babies Get Nutritious Food. The Women, Infants & Children (WIC) program exists so that mothers and their children are able to purchase nutritious food. The division handled 22 WIC contested cases during F.Y. 1998, representing a dramatic increase in enforcement litigation.
- Vigorous Enforcement Protect Seniors in Nursing Homes. Residents of nursing homes are among the most vulnerable people in our society. Through increased enforcement actions, Health Division attorneys work to assure that the perpetrators of this maltreatment may not continue to work in this industry.

Legal Services Provided By Division



Challenges

- Advise the department about enforcement of controversial federal regulations regarding the use of patient restraints in long term care facilities.
- Develop a framework enabling the Commissioner of Health to proactively identify communicable disease outbreaks as opposed to the current process of relying solely on reports initiated by others.
- Address security and privacy issues related moving from a paper to an electronic data system:
 - For reporting over 60 communicable diseases; and
 - For the transfer, storage, and access to medical records.

Licensing and Investigations Division

Strategies And Performance

Investigations Division:

- Thorough and timely investigations supported dramatic increase in litigation with providers who refuse to sign a disciplinary orders.

2000-01 Biennial Budget

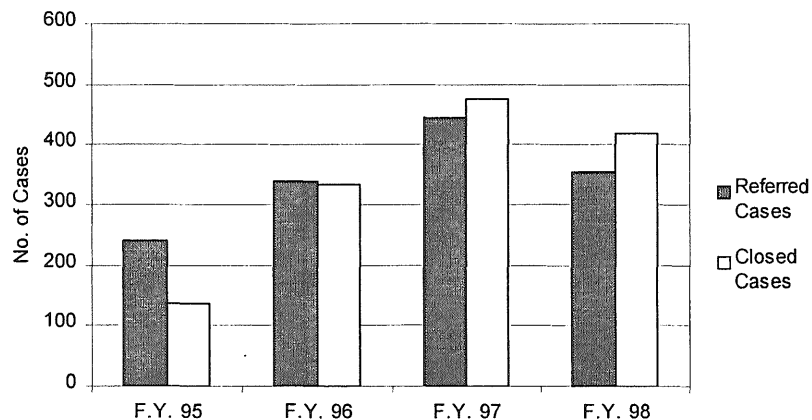
BUDGET ACTIVITY: Health and Licensing
PROGRAM: Attorney General, Office of (AGO)
AGENCY: Attorney General, Office of (AGO)
 (Continuation)

- Faster Turn Around on Investigative Reports Accomplished with Fewer Resources. With benchmarking and other efficiencies, the division continues to improve turn-around time for investigation reports. The number of health board investigators has decreased from 18 in F.Y. 1995 to 14 in F.Y. 1998. Despite the decreased staffing, the number of referrals for investigations and investigations completed both increased, as illustrated below.

AGED CASE STATISTICS

<u>December 1995</u>	<u># of Cases</u>	<u>May 6, 1998</u>	<u># of Cases</u>
More than 3 years old	4	More than 3 years old	0
2-3 years old	15	2-3 years old	0
1-2 years old	61	1-2 years old	*8

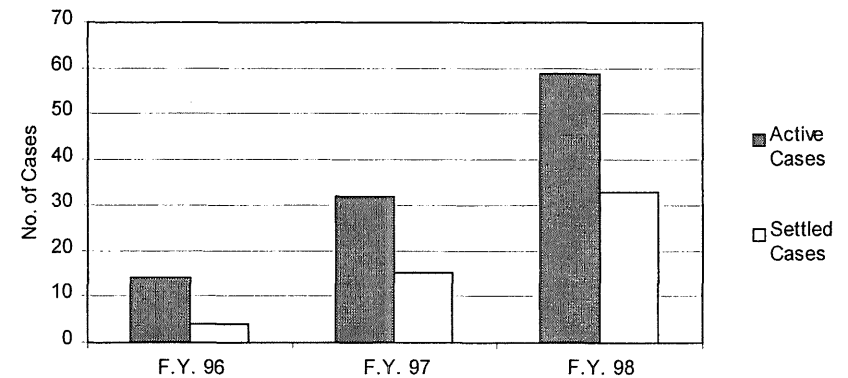
* Of the 8 cases, all but one are on hold due to either a pending criminal case or board request to suspend the investigation.



Licensing Litigation:

- Litigated an increasing number of temporary suspension matters against health care providers who present a risk to the public.
- Significantly increased the number of contested cases proceedings resolved through negotiated settlement.
- Handled dramatic increase in litigation referrals, as illustrated below, without increasing division staffing.

Litigation Referrals



Disciplinary proceedings:

- Negotiated legal remedies following emergency investigations of professionals believed to be actively chemically dependent.
- Represented regulatory boards in hundreds of disciplinary proceedings, negotiating appropriate stipulations and orders and/or corrective action agreements.
- Increased the use of alternative dispute resolution to effectively and economically resolve disciplinary proceedings against health care professionals.

2000-01 Biennial Budget

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

Challenges

- Provide effective, efficient legal assistance to the 13 health boards -- for administrative advice, legal advice to AGO investigators and board analysts, and prosecution of contested cases with a reduction in personnel.
- Develop legislation for a non-disciplinary suspension for physically, mentally, chemically or alcohol impaired health care professionals who have not been the subject of a complaint alleging patient harm.

BUDGET ISSUES:

This activity provides a wide range of legal services to numerous state agencies. The AGO focuses on providing efficient, cost-effective advice and solutions.

The office must ensure that it retains flexibility among the funds that are appropriated or transferred to the office from other agencies so that legal service needs are met.

As competing needs arise the AGO must work with agencies to develop, whenever possible, strategies which provide appropriate services within budget restrictions. Some strategies include education/training of agency staff, seeking alternatives to litigation, such as alternative dispute resolution.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ATTORNEY GENERAL

Program: ATTORNEY GENERAL

Activity: HEALTH & LICENSING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	3.891	3.890	4.871	4.499	4.499	4.499	4.501	4.501	4.501
OPERATING EXPENSES	519	611	589	524	524	524	524	524	524
TRANSFERS	0	0	0	(1,606)	(1,606)	(1,606)	(1,606)	(1,606)	(1,606)
SUBTOTAL STATE OPERATIONS	4,410	4,501	5,460	3,417	3,417	3,417	3,419	3,419	3,419
Total Expenditures	4,410	4,501	5,460	3,417	3,417	3,417	3,419	3,419	3,419
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	947	1,071	1,299	965	965	965	931	931	931
STATE GOVERNMENT SPECIAL REVENUE	2,903	2,907	3,450	1,692	1,692	1,692	1,696	1,696	1,696
STATUTORY APPROPRIATIONS:									
GENERAL	560	523	711	760	760	760	792	792	792
Total Financing	4,410	4,501	5,460	3,417	3,417	3,417	3,419	3,419	3,419
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	67.9	59.1	63.8	63.0	63.0	63.0	63.0	63.0	63.0
PART-TIME, SEASONAL, LABOR SER	5.3	15.9	10.8	11.7	11.7	11.7	11.7	11.7	11.7
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	73.3	75.0	74.6	74.7	74.7	74.7	74.7	74.7	74.7

2000-01 Biennial Budget

BUDGET ACTIVITY: Administration
PROGRAM: Attorney General, Office of (AGO)
AGENCY: Attorney General, Office of (AGO)

ACTIVITY PROFILE:

Administrative Services provides support for the Attorney General's Office in the following areas:

- General Administrative
- Human Resources
- Systems
- Fiscal Services (budget, accounting, purchasing)
- Library
- Docketing/Timekeeping
- Communications

STRATEGIES AND PERFORMANCE AND CHALLENGES

- *Administration:* Administrative staff are responsible for strategic planning, developing and implementing policies and procedures, personnel transactions, upgrading and maintaining the AGO systems network, communications, budget, accounting, purchasing, providing the services of a comprehensive law library, and a docketing/timekeeping system that provides reports and billing information for partner agencies and all clients the AGO serves.
- *Administrative Services:* Provides overall administrative support to the AGO. An increasing role of this program is the provision of systems-related support. Recently the office began operating on 1 system. This upgrade has brought the office together so that documents, research, etc., can be shared. However, it has resulted in a need to maintain the system as effectively and efficiently as possible. Consequently, the AGO seeks "maintenance initiatives" as well as "new initiatives" in the systems area. These are outlined in the plan that was submitted to the Office of Technology.

BUDGET ISSUES:

- This small division provides support for a complex public law office. Staff use funding resources efficiently to provide effective support.

One area which will require additional support is the AGO systems effort. This is necessary to keep pace with accelerating demands on our systems and system staff. New legislation and litigation place greater demands on AGO technology to support complex litigation, provide information and links to other information resources. The AGO cannot hope to serve its clients or litigate against high-powered opponents without significant investments in replacement hardware and software.

The Attorney General's Office has submitted its information technology request to the Office of Technology for review.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ATTORNEY GENERAL

Program: ATTORNEY GENERAL

Activity: ADMINISTRATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000			F.Y. 2001		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2.633	2.969	3.461	2.512	2.629	3.003	2.640	2.757	3.638
OPERATING EXPENSES	2.384	2.231	3.495	4.492	5.366	4.547	4.274	5.069	4.368
SUBTOTAL STATE OPERATIONS	5.017	5.200	6.956	7.004	7.995	7.550	6.914	7.826	8.006
Total Expenditures	5.017	5.200	6.956	7.004	7.995	7.550	6.914	7.826	8.006
<u>CHANGE ITEMS:</u>									
(B) INFORMATION TECHNOLOGY REQUEST	GEN			991			912		
(B) CASE LOAD INCREASE	GEN				491				998
(B) NON-SALARY INFLATION	GEN				55				94
Total Change Items				991	546		912		1.092
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	4.573	4.876	6.500	6.769	7.760	7.315	6.679	7.591	7.771
STATUTORY APPROPRIATIONS:									
GENERAL	309	78	243	10	10	10	10	10	10
SPECIAL REVENUE	68	177	188	225	225	225	225	225	225
FEDERAL	15	0	0	0	0	0	0	0	0
GIFT	52	69	25	0	0	0	0	0	0
Total Financing	5.017	5.200	6.956	7.004	7.995	7.550	6.914	7.826	8.006
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	42.6	53.0	47.0	34.1	36.1	34.1	34.1	36.1	34.1
PART-TIME, SEASONAL, LABOR SER	4.3	6.0	8.0	5.3	5.3	5.3	5.3	5.3	5.3
OVERTIME PAY	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	47.1	59.0	55.0	39.4	41.4	39.4	39.4	41.4	39.4

F.Y. 2000-2001 Information Technology New Funding

AGENCY: ATTORNEY GENERAL

PROGRAM: ATTORNEY GENERAL

ACTIVITY: ADMINISTRATION

IT Change Item: INFORMATION TECHNOLOGY REQUEST

ITEM DESCRIPTION AND PURPOSE:

The AGO's Information Technology Budget Request is divided into two categories. Maintenance initiatives are necessary to preserve the status quo in the office while upgrading the capacity to perform current functions more efficiently. New initiatives will provide significant new capabilities that will greatly improve office efficiency and productivity. Implementation of the initiatives will permit the AGO to serve our agency clients and the state's taxpayers in a more cost-effective way and to help ensure the highest quality representation.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	474	432	342	308	342	308
Personnel	117	117	117	117	117	117
Services	267	224	216	220	223	226
Software	106	129	11	115	11	115
Supplies	0	0	0	0	0	0
Training	27	10	27	10	27	10
Total	991	912	713	770	720	776

Current funding of approximately \$276,000 (excluding salary and fringe benefits costs of current systems staff) exists for hardware and software, maintenance agreements, licensing requirements, supplies, line connection fees and system enhancements. This request consists of maintenance initiatives for \$1,316,462 and new initiatives for \$587,055. The maintenance initiatives consist of five components: life cycle replacement of hardware, software upgrades, addition of systems staff, disaster recovery and remote systems management. The new initiatives consist of four components: automated litigation support, imaging for consumer, state and citizen mail, remote access to AGO and voice recognition.

RATIONALE:

Maintenance Initiatives: Hardware and software life cycle replacements allow the AGO to stay current with technology enhancements. The increased capacity and speed of new technology will allow us to accommodate the growing demands of our clients and their own new applications. The addition of new systems staff will help staff become proactive versus reactive. Funding for disaster recovery will help ensure that our critical information is not lost or destroyed. Funding for remote access will help increase productivity and efficiency.

New Initiatives: Automated litigation support is one of the most important efficiency drivers in law practice. Using technology to track and recall documents is vastly transforming traditional litigation. This increased technology will allow the AGO to accept and prosecute more cases. Indexing and imaging documents will allow faster retrieval of documents and allow for quicker response to consumers. Expanding remote access capabilities will increase staff productivity and improve client service.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X	X	X		
Operations	X	X	X	X	X	X
Modification			X	X		
Retirement	X	X	X	X	X	X

The AGO has adopted the industry standard of a 3-year cycle for replacement of hardware and the retirement of the equipment. The litigation support project will be in the development stages for F.Y. 2000 and 2001 as a pilot project. After analyzing this pilot project, the AGO will develop a needs-analysis to determine whether the AGO should move to an enterprise-wide solution for a litigation support solution. Modifications will be performed as deemed appropriate.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: ATTORNEY GENERAL
IT Change Item: Information Technology Request
(Continuation)

OFFICE OF TECHNOLOGY ANALYSIS:

The Office is well-positioned to continue hardware and software upgrades and migration. The office-wide information resource plan is comprehensive and well-structured. The Office is focusing on establishing a legal knowledge database and improving staff productivity in order to remain competitive with private law firms.

OT Master Plan: Goal 2-Efficient and effective government, Goal 5-Improved quality of life. This project would maintain and upgrade system capacity, new capabilities will improve efficiency while serving their clients needs.

Recommendation: Continue implementation of strategic plan. OT supports this project.

GOVERNOR'S RECOMMENDATION:

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

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2000-01 Biennial Budget

AGENCY: State Board of Investment (SBI)

MISSION:

The statutory mission of the State Board of Investment (SBI) is “to establish standards which will ensure 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).

AGENCY DESCRIPTION:

The board is comprised of the Governor, State Treasurer, State Auditor, Secretary of State and Attorney General. They provide investment management for the:

- Basic Retirement Funds
- Post Retirement Fund
- Supplemental Investment Fund
- Permanent School Fund
- Environmental Trust Fund
- Assigned Risk Plan

The board retains an executive director, and 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.

KEY SERVICE STRATEGIES:

To accomplish its mission SBI:

- Recommends strategic planning alternatives to the board and council.
- Establishes and periodically update the investment objectives, asset allocation and investment management structure for each fund.
- Monitors and evaluates investment performance to ensure investment objectives are met.
- Assesses developments in the broad financial markets and evaluate their potential impact on SBI operations and policies.
- Communicates its investment policies to clients and constituents.
- Reviews prospective investment vehicles for legislative consideration.

SBI's clients:

- Primary clients are the current and retired members of the 3 statewide retirement systems (PERA, TRA, and MSRS).
- Cash accounts are managed for the State Treasurer and the Department of Finance.

INVESTMENTS:

Investment activity is divided into 2 major areas: externally managed and internally managed funds. Each concentration requires different strategies and investment vehicles.

Externally managed funds. Approximately 84% of total assets are under external management.

Basic Retirement Funds

- Function in a fiduciary capacity, investing pension contributions to provide sufficient funds to finance promised benefits at retirement.
- Invest contributions of public employees and employers during the employees' years of public service.
- Serve approximately 256,000 public employees in 8 statewide retirement funds.

Post Retirement Fund

- Upon retirement, money sufficient to finance fixed monthly annuities for the life of the retiree are 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 ensure 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.
- Contains the assets of over 82,000 retired public employees covered by the 9 statewide retirement plans.

Supplemental Investment Fund:

- Multi-purpose investment program that offers a range of investment options to state and local employees.
- Serves wide range of participants and investment goals.

2000-01 Biennial Budget

AGENCY: State Board of Investment (SBI)
(Continuation)

Assigned Risk Plan

- Administered by the Department of Commerce to provide workers compensation insurance to companies unable to obtain private insurance.
- The goal is to match the projected liability stream while maintaining adequate liquidity.

Internally managed funds. The SBI directly invests about 16% of total assets.

Permanent School Fund

- Trust fund created by the 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.
- Growth in fund assets has been difficult to achieve without seriously reducing current spendable income and exposing the spendable income stream to unacceptable volatility.
- Effective with F.Y. 1998 the Permanent School Fund is invested in a balanced portfolio of common stocks and bonds which provide the potential for significant capital appreciation, while bonds provide portfolio diversification and a more stable stream of current income.

Environmental 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 is invested in a balanced portfolio of fixed income securities and common stocks.

State Cash Accounts

- Represent the cash balances in more than 400 individual 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.

ORGANIZATION/PROGRAM STRUCTURE:

OFFICE OF THE EXECUTIVE DIRECTOR	2.0 fte
Support Services	3.5 fte
Administrative Services	6.0 fte
Cash Management	2.0 fte
Internal Managed Portfolios	2.5 fte
Public Programs & Non-Retirement Trust Funds	2.75 fte
Externally Managed Retirement Trust Funds	4.0 fte
Alternative Assets	2.0 fte

Total FTE: 24.75

PERFORMANCE SUMMARY:

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.

2000-01 Biennial Budget

AGENCY: State Board of Investment (SBI)
(Continuation)

Summary of Investment Funds

	Period Ending June 30, 1998			
	6-30-98 Millions	1 Year (%)	Annualized 3 Years (%)	Annualized 5 Years (%)
Basic Funds:	\$18,859	22.2	20.9	15.9
Market composite		20.1	19.8	15.5
Post Fund:	\$17,031	19.4	19.1	14.9
Market composite		17.6	17.7	14.2
Benefit increase		10.1	8.2	6.9
Supplemental Fund:				
Income Share	\$575	21.7	20.2	16.0
Composite		21.2	19.7	15.5
Growth Share	\$278	31.2	28.4	21.3
Composite		28.9	27.7	21.1
International Share	\$25	1.1	11.8	8.6
EAFE Index		-1.1	8.3	6.0
Common Stock Index	\$212	29.4	28.2	21.8
Wilshire 5000		28.9	28.1	21.5
Bond Market	\$35	11.0	8.5	7.2
Lehman Aggregate		10.5	7.9	6.9
Money Market	\$47	5.8	5.7	5.2
91 Day T-Bills		5.3	5.3	4.9
Fixed Interest	\$75	6.5	6.6	6.7
Assigned Risk Plan	\$694	13.3	12.6	10.4
Market Composite		12.4	11.5	9.6
State Cash Accounts				
Treasurer's Pool	\$5,921	5.9	5.7	5.2
Trust Pool	\$53	5.8	5.7	5.3
91 day T-bill		5.3	5.3	4.9
Permanent School	\$500	17.8	10.4	8.3
Market composite		16.9	9.9	8.1
Environmental Trust Fund	\$236	21.2	19.0	14.9
Composite		20.2	18.7	14.7

Basic Retirement Funds

Market Value 6-30-98: \$18.859 Billion

	Period Ending 6-30-98		
	1 Year (%)	Annualized 3 Years (%)	Annualized 5 Years (%)
Basic Funds	22.2	20.9	15.9
Comparisons:			
Market Composite	20.1	19.8	15.5
TUCS Median Fund	17.9	18.5	14.8
Inflation (CPI)	1.7	2.2	2.5
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 of the portfolio on 6-30-98 was 60% stocks, 24% bonds, 1% cash and 15% alternative assets (real estate, venture capital and resource funds).

For F.Y. 1998, the basic funds exceeded their market composite index by 2.1% points and surpassed the median fund in the Trust Universe Comparison Service (TUCS) by 4.3% 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% points annualized, and the median fund by approximately 1.1% points. The basic funds continue to keep well ahead of the inflation rate and have surpassed the actuarially assumed rate of return.

Post Retirement Funds

	Period Ending 6-30-98		
	1 Year (%)	Annualized 3 Years (%)	Annualized 5 Years (%)
Post Funds	19.4	19.1	14.9
Comparisons:			
Market Composite	17.6	17.7	14.2
Inflation (CPI)	1.7	2.2	2.5
Actuarial Assumption	6.0	5.0	5.0
Benefit increase	10.1	8.2	6.9

2000-01 Biennial Budget

AGENCY: State Board of Investment (SBI)
(Continuation)

The Post Retirement Investment Funds contain the assets of retired employees in the 3 statewide retirement plans: MSRS, PERA, and TRA. The long-term asset allocation of the portfolio on 6-30-98 was 65% stocks, 27% bonds, 5% alternative assets and 3% cash.

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 2.5%. (Between 1993 and 1997 the CPI was capped at 3.5%. This was changed in 1998 to 2.5%). 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 6% and the cumulative value of all inflation based adjustments previously granted. (Prior to 1998 the actuarial assumed rate was 5%.)

The formula changes, which were sought by the retirement systems and enacted by the 1992 and 1997 legislatures, have allowed the Post Fund to increase its exposure to stocks and should increase the long-term growth potential of its assets. Benefit increases granted since 1993 have surpassed inflation by significant amounts.

Supplemental Investment Fund

		Period Ending 6-30-98		
			Annualized	Annualized
	Market Value 6-30-98	1 Year (%)	3 Years (%)	5 Years (%)
Supplemental Fund:				
Income Share Account	\$575 M	21.7	20.2	16.0
TUCS Median Fund		17.9	18.5	14.8
Growth Share Account	\$278 M	31.2	28.6	21.3
TUCS Median Stock Pool		25.9	27.2	21.2
Common Stock Index Account	\$212 M	29.4	28.2	21.8
Wilshire 5000 Stock Index		28.9	28.1	21.5
International Share Account	\$14 M	1.1	11.8	8.6
EAFE Index		-1.1	8.3	6.0
Bond Market Account	\$35 M	11.0	8.5	7.2
Lehman Aggregate		10.5	7.9	6.9
Money Market Account	\$47 M	5.8	5.7	5.2
91 Day Treasury Bills		5.3	5.3	4.9
Fixed Interest Account	\$75 M	6.5	6.6	6.7

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. 1998 was a strong year for the fund. All investment accounts exceeded their performance targets for the year. Over the last 3 and 5 year periods, all accounts in the Supplemental Investment Fund have met or exceeded their targets. 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 6-30-98: \$500 Million

	1 Year (%)	Period Ending 6-30-98	
		Annualized 3 Years (%)	Annualized 5 Years (%)
Permanent School	17.8	10.4	8.3
Market Composite	16.9	9.9	8.1

2000-01 Biennial Budget

AGENCY: State Board of Investment (SBI) (Continuation)

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. The investment objective of the Permanent School Fund is to produce a growing level of spendable income, within the constraints of maintaining adequate portfolio quality and liquidity.

Beginning in F.Y. 1998 the Permanent School Fund was invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds provide portfolio diversification and a more stable stream of current income. Prior to F.Y. 1998, the Fund was invested entirely in fixed income securities in order to maximize current income. It is expected that the change in asset mix will reduce portfolio income in the short-term, but overtime will enhance the value of the fund.

Environmental Trust Fund

Market Value on 6-30-98: \$236 Million

	Period Ending 6-30-98		
	1 Year (%)	Annualized 3 Years (%)	Annualized 5 Years (%)
Environmental Trust Fund	21.2	19.0	14.9
Composite	20.2	18.7	14.7

The Environmental Trust Fund supplements traditional sources of funding for environmental and natural resource activity. The Trust will continue to receive a portion of the net lottery proceeds until 2001. Currently, the asset mix of the Trust is targeted at 50% common stocks and 50% fixed income to provide for long-term growth.

Assigned Risk Plan

Market Value on 6-30-98: \$694 Million

		Period Ending 6-30-98		
		1 Year (%)	Annualized 3 Years (%)	Annualized 3 Years (%)
Assigned Risk Plan	\$694	13.3	12.6	10.4
Market composite		12.4	11.5	9.6

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. 1998. This allocation is reviewed annually upon receipt of new actuarial valuations and will be changed to reflect changes in plan liabilities.

State Cash Accounts

Market Value on 6-30-98: \$5,974 Million

		Period Ending 6-30-98		
		1 Year (%)	Annualized 3 Years (%)	Annualized 5 Years (%)
Treasurer's Pool	\$5,921	5.9	5.7	5.2
Trust Pool	\$53	5.8	5.7	5.3
91 day T-bill		5.3	5.3	4.9

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 are invested through 2 pooled funds. The Trust Fund Pool holds cash balances of retirement related accounts managed internally and cash balances in the Permanent School Fund. The Treasurer's Cash Pool holds the cash balances of special or dedicated accounts necessary for the operation of certain state agencies and the balances of the Invested Treasurer's Cash. All state cash accounts are managed by the SBI investment staff.

2000-01 Biennial Budget

AGENCY: State Board of Investment (SBI)
(Continuation)

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 represents that portion of the SBI's budget associated with the investment of general fund Invested Treasurer's Cash Fund.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: INVESTMENT BOARD

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
INVESTMENT OF FUNDS	2,126	2,072	2,338	2,310	2,310	2,376	2,376	276	6.3%
REFUNDS/RETIRE FUNDS	41,837	48,748	46,220	46,085	46,085	46,085	46,085	(2,798)	-2.9%
Total Expenditures	43,963	50,820	48,558	48,395	48,395	48,461	48,461	(2,522)	-2.5%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	2,126	2,072	2,338	2,310	2,310	2,376	2,376
OPEN APPROPRIATIONS:							
SUPPLMNTL INVEST INVEST INDEX	8	9	5	5	5	5	5
SUPPLEMENTAL INVEST SUPPL BOND	2	2	5	5	5	5	5
SUPPLEMENTAL INVEST INVEST GIC	91	102	50	50	50	50	50
SUPPLMNTL INVEST MONEYMARKET	3	2	50	50	50	50	50
SUPPLEMENTAL INVESTMENT INCOME	27	26	100	100	100	100	100
SUPPLEMENTAL INVESTMENT GROWTH	11	12	100	100	100	100	100
POST RETIREMENT INVESTMENT	808	785	1,500	1,500	1,500	1,500	1,500
INVEST EXT MONEY MANAGERS#1	7,271	8,323	10,000	10,000	10,000	10,000	10,000
INVEST EXT MONEY MANAGERS #2	33,615	39,486	34,400	34,265	34,265	34,265	34,265
SUPPLEMENTAL INTL EQUITY	1	1	10	10	10	10	10
Total Financing	43,963	50,820	48,558	48,395	48,395	48,461	48,461

FTE BY EMPLOYMENT TYPE:							
FULL TIME	23.3	22.8	22.8	22.8	22.8	22.8	22.8
PART-TIME, SEASONAL, LABOR SER	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Total Full-Time Equivalent	24.1	23.7	23.7	23.7	23.7	23.7	23.7

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: State Board of Investment

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>					
<u>BASE-YEAR (F.Y. 1999)</u>				Base level appropriations	\$2,310	\$2,035,000	\$2,038,000	\$2,376
Appropriations (F.Y. 1999)	\$2,247	\$2,247	\$4,494	Assessment revenues from non-General Funds	<u>\$2,079</u>	<u>\$1,832,000</u>	<u>\$1,834,000</u>	<u>\$2,138</u>
<u>BASE ADJUSTMENT</u>				Net General Fund expenditure for operations	\$231	\$203,000	\$204,000	\$238
2000-01 salary & benefit base	51	104	155	<u>GOVERNOR'S RECOMMENDATION(S):</u>				
Non-salary operating inflation	<u>12</u>	<u>25</u>	<u>37</u>	The Governor recommends the agency's base budget.				
<u>BASE LEVEL (for 2000 and 2001)</u>	2,310	2,376	4,686					
GOVERNOR'S RECOMMENDATION	\$2,310	\$2,376	\$4,686					

Brief Explanation of Budget Decision:

- The agency expects that it can continue to deliver the same level of investment services to the state within the base level appropriation plus an adjustment for inflation.
- As reflected in the Revenue Summary section below, the net impact on the General Fund of providing an inflationary adjustment to the Board of Investment is very marginal. With over \$43 billion in assets under management, even a minor impairment of the Board's ability to maximize returns due to insufficient staff or other resources could have significant impact on state operating and retirement funds from a cost/benefit perspective.

Revenue Summary:

By statute, the State Board of Investment bills the statewide retirement funds and non-General Fund cash accounts for the indirect costs incurred by the General Fund to invest those other assets. The assessment, deposited in the General Fund as non-dedicated receipts, amounts to approximately 90% of the General Fund annual operating appropriation to the Investment Board, which implies a 10% *net impact* to the General Fund for any change in appropriations.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: INVESTMENT BOARD

Program: INVESTMENT OF FUNDS

Activity: INVESTMENT OF FUNDS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,590	1,668	1,747	1,788	1,788	1,841	1,841	214	6.3%
OPERATING EXPENSES	536	404	591	522	522	535	535	62	6.2%
SUBTOTAL STATE OPERATIONS	2,126	2,072	2,338	2,310	2,310	2,376	2,376	276	6.3%
Total Expenditures	2,126	2,072	2,338	2,310	2,310	2,376	2,376	276	6.3%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2,126	2,072	2,338	2,310	2,310	2,376	2,376		
Total Financing	2,126	2,072	2,338	2,310	2,310	2,376	2,376		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	2,159	1,953	0	0	0	0	0		
Total Revenues Collected	2,159	1,953	0	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	23.3	22.8	22.8	22.8	22.8	22.8	22.8		
PART-TIME, SEASONAL, LABOR SER	0.8	0.9	0.9	0.9	0.9	0.9	0.9		
Total Full-Time Equivalent	24.1	23.7	23.7	23.7	23.7	23.7	23.7		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: INVESTMENT BOARD

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
OTHER REVENUES:									
GENERAL	2,159	1,953	0	0	0	0	0	(1,953)	-100.0%
SUPPLMNTL INVEST INVEST INDEX	384	619	5	5	5	5	5	(614)	-98.4%
SUPPLEMENTAL INVEST SUPPL BOND	1,152	177	5	5	5	5	5	(172)	-94.5%
SUPPLEMENTAL INVEST INVEST GIC	3,544	2,397	50	50	50	50	50	(2,347)	-95.9%
SUPPLMNTL INVEST MONEYMARKET	3,341	7,125	50	50	50	50	50	(7,075)	-98.6%
SUPPLEMENTAL INVESTMENT INCOME	2,582	1,363	100	100	100	100	100	(1,263)	-86.3%
SUPPLEMENTAL INVESTMENT GROWTH	995	614	100	100	100	100	100	(514)	-72.0%
POST RETIREMENT INVESTMENT	994,825	1,230,243	1,500	1,500	1,500	1,500	1,500	(1,228,743)	-99.8%
INVEST EXT MONEY MANAGERS#1	7,010	8,966	10,000	10,000	10,000	10,000	10,000	1,034	5.5%
INVEST EXT MONEY MANAGERS #2	31,759	36,653	33,400	33,400	33,400	33,400	33,400	(3,253)	-4.6%
SUPPLEMENTAL INTL EQUITY	107	658	100	100	100	100	100	(558)	-73.6%
Total Non-Dedicated Receipts	1,047,858	1,290,768	45,310	45,310	45,310	45,310	45,310	(1,245,458)	-93.2%
Agency Total Revenues	1,047,858	1,290,768	45,310	45,310	45,310	45,310	45,310		-93.2%

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: INVESTMENT BOARD
Program: REFUNDS/RETIRE FUNDS
Activity: REFUNDS/RETIRE FUNDS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	951	939	1,820	1,820	1,820	1,820	1,820	881	31.9%
SUBTOTAL STATE OPERATIONS	951	939	1,820	1,820	1,820	1,820	1,820	881	31.9%
Total Expenditures	951	939	1,820	1,820	1,820	1,820	1,820	881	31.9%
<u>FINANCING BY FUND:</u>									
OPEN APPROPRIATIONS:									
SUPPLMNTL INVEST INVEST INDEX	8	9	5	5	5	5	5		
SUPPLEMENTAL INVEST SUPPL BOND	2	2	5	5	5	5	5		
SUPPLEMENTAL INVEST INVEST GIC	91	102	50	50	50	50	50		
SUPPLMNTL INVEST MONEYMARKET	3	2	50	50	50	50	50		
SUPPLEMENTAL INVESTMENT INCOME	27	26	100	100	100	100	100		
SUPPLEMENTAL INVESTMENT GROWTH	11	12	100	100	100	100	100		
POST RETIREMENT INVESTMENT	808	785	1,500	1,500	1,500	1,500	1,500		
SUPPLEMENTAL INTL EQUITY	1	1	10	10	10	10	10		
Total Financing	951	939	1,820	1,820	1,820	1,820	1,820		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
SUPPLMNTL INVEST INVEST INDEX	384	619	5	5	5	5	5		
SUPPLEMENTAL INVEST SUPPL BOND	1,152	177	5	5	5	5	5		
SUPPLEMENTAL INVEST INVEST GIC	3,544	2,397	50	50	50	50	50		
SUPPLMNTL INVEST MONEYMARKET	3,341	7,125	50	50	50	50	50		
SUPPLEMENTAL INVESTMENT INCOME	2,582	1,363	100	100	100	100	100		
SUPPLEMENTAL INVESTMENT GROWTH	995	614	100	100	100	100	100		
POST RETIREMENT INVESTMENT	994,825	1,230,243	1,500	1,500	1,500	1,500	1,500		
INVEST EXT MONEY MANAGERS#1	7,010	0	0	0	0	0	0		
INVEST EXT MONEY MANAGERS #2	31,759	0	0	0	0	0	0		
SUPPLEMENTAL INTL EQUITY	107	658	100	100	100	100	100		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: INVESTMENT BOARD

Program: REFUNDS/RETIRE FUNDS

Activity: REFUNDS/RETIRE FUNDS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
Total Revenues Collected	1,045,699	1,243,196	1,910	1,910	1,910	1,910	1,910

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: INVESTMENT BOARD
Program: REFUNDS/RETIRE FUNDS
Activity: EXTERNAL MONEY MANAGERS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	40,886	47,809	44,400	44,265	44,265	44,265	44,265	(3,679)	-4.0%
SUBTOTAL STATE OPERATIONS	40,886	47,809	44,400	44,265	44,265	44,265	44,265	(3,679)	-4.0%
Total Expenditures	40,886	47,809	44,400	44,265	44,265	44,265	44,265	(3,679)	-4.0%

<u>FINANCING BY FUND:</u>							
OPEN APPROPRIATIONS:							
INVEST EXT MONEY MANAGERS#1	7,271	8,323	10,000	10,000	10,000	10,000	10,000
INVEST EXT MONEY MANAGERS #2	33,615	39,486	34,400	34,265	34,265	34,265	34,265
Total Financing	40,886	47,809	44,400	44,265	44,265	44,265	44,265

<u>REVENUE COLLECTED:</u>							
NONDEDICATED							
INVEST EXT MONEY MANAGERS#1	0	8,966	10,000	10,000	10,000	10,000	10,000
INVEST EXT MONEY MANAGERS #2	0	36,653	33,400	33,400	33,400	33,400	33,400
Total Revenues Collected	0	45,619	43,400	43,400	43,400	43,400	43,400

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Administrative Hearings, Office of (OAH)

AGENCY MISSION AND VISION:

The Office of Administrative Hearings (OAH) was established in 1976 to provide an impartial hearing process for citizens who disagree with actions taken by government.

Mission: The mission of the OAH is to settle, decide, or make recommendations about the claims and disputes submitted to the office in ways that are fair, prompt and efficient.

Vision:

- Provide persons adversely affected by state or local government actions with full and fair opportunities to be heard and to challenge those actions.
- Ensure that agency rules and rulemaking proceedings conform to the law and that the public participates in the formulation of agency rules as much as possible.
- Provide a fair, speedy, and uniform statewide process for resolving disputes about child support obligations.
- Provide injured workers, their employers, and workers' compensation insurers with prompt and impartial resolutions of claims for workers' compensation benefits.
- Encourage and assist parties in disputes to resolve their differences through settlement and mediation and without a hearing process.

KEY SERVICE STRATEGIES:

- To reduce the cost of providing hearing services by delegating many routine tasks and legal research functions to lower cost staff attorney and paralegals.
- Manage increases in the docket of the Administrative Procedures Act (APA) Section by increasing the caseloads of existing staff and assigning caseloads to the Chief and Assistant Chief Administrative Law Judges (ALJs).
- Encourage the use of ALJs to mediate disputes between citizens and state agencies as well as disputes between state agencies or other political subdivisions.
- Improve the speed and quality of services in child support enforcement proceedings by maintaining a cadre of highly experienced judges who provide assistance and mentorship for 44.0 contract child support ALJs.

- Cross-train judges to handle a variety of hearing types to manage caseload variations more efficiently.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The Minnesota Court of Appeals recently ruled the legislatively established system for administrative enforcement of child support obligations to be an unconstitutional delegation of judicial power to the executive branch. Review of the decision is currently pending in the Minnesota Supreme Court. If the child support hearing function is moved out of the OAH, the office will lose revenues of about \$3,450,000 per fiscal year and will be compelled to lay off 4.0 permanent ALJs and about 14.0 support staff, pay severance benefits to those staff, and discontinue its contractual relationships with 44.0 contract child support ALJs. About \$436,000 of that sum represents the Child Support Sections' annual contribution to general office overhead and indirect expenses. If not replaced, loss of that contribution will likely result in further ALJ and support staff layoffs in the office's Administrative Procedures Act Section, Administrative Services, and Information Technology Sections.

The 1998 legislature adopted legislation transferring the personnel, functions and base appropriations from the Department of Labor and Industry's Judicial Services Unit to the OAH. This included 11.0 workers' compensation judges (formerly "settlement judges") and 16.0 support staff positions at offices located in St. Paul, Duluth, and Detroit Lakes. Integration of those staff and functions has generally proceeded smoothly and should not present issues for F.Y. 2000-01.

Due to the transfer of Labor and Industry's Judicial Services Unit to Office of Administrative Hearings, more office space is needed in Duluth. OAH requests \$80,000 for this purpose.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget, which includes allowable base adjustments for rental rate increases (\$54,000), employment contract increases (\$491,000), and the transfer of the Judicial Services Unit from Department of Labor and Industry to OAH (\$4,500,000). In addition to the agency's base budget, the Governor recommends \$40,000 to pay for additional office space needed in Duluth.

The Governor has also included funding to improve this agency's technology infrastructure in the Small Agency Infrastructure Initiative under the Minnesota Office of Technology.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATIVE HEARINGS

Program: ADMINISTRATIVE HEARINGS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
ADMINISTRATIVE LAW DIVISION	3,693	4,809	4,720	4,824	4,824	4,885	4,885	180	1.9%
WORKERS COMPENSATION DIVISION	4,121	3,963	6,607	6,634	6,674	6,829	6,869	2,973	28.1%
Total Expenditures	7,814	8,772	11,327	11,458	11,498	11,714	11,754	3,153	15.7%

CHANGE ITEMS:	FUND				
(B) RENT INCREASE	WCS			40	40
Total Change Items				40	40

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
WORKERS COMPENSATION	4,115	3,957	6,597	6,624	6,664	6,819	6,859
STATUTORY APPROPRIATIONS:							
ADMINISTRATIVE HEARINGS	3,693	4,809	4,720	4,824	4,824	4,885	4,885
WORKERS COMP TRANSCRIPT	6	6	10	10	10	10	10
Total Financing	7,814	8,772	11,327	11,458	11,498	11,714	11,754

FTE BY EMPLOYMENT TYPE:							
FULL TIME	80.2	84.8	138.1	145.3	145.3	145.3	145.3
PART-TIME, SEASONAL, LABOR SER	4.6	3.9	4.9	4.9	4.9	4.9	4.9
OVERTIME PAY	0.2	0.5	0.5	0.5	0.5	0.5	0.5
Total Full-Time Equivalent	85.0	89.2	143.5	150.7	150.7	150.7	150.7

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: ADMINISTRATIVE HEARINGS

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	9,029	9,090	0	0	9,029	9,090	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	13	41	0	0	13	41	0	0
2000-01 SAL. & BEN. BASE	162	329	0	0	162	329	0	0
TRANSFERS BETWEEN AGENCIES	2,254	2,254	0	0	2,254	2,254	0	0
SUBTOTAL BASE ADJUSTMENTS	2,429	2,624	0	0	2,429	2,624	0	0
BASE BUDGET	11,458	11,714	0	0	11,458	11,714	0	0

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2000-01 Biennial Budget

BUDGET ACTIVITY: Administrative Law Division
PROGRAM: Administrative Hearings
AGENCY: Administrative Hearings, Office of (OAH)

ACTIVITY PROFILE:

The Administrative Law Division is made up of an Administrative Procedure Act Section and a Child Support Section. Administrative Law Judges (ALJs) assigned to the Administrative Procedure Act (APA) section conduct administrative rule reviews and hearings for state agencies and also conduct administrative contested case proceedings for state agencies and local political subdivisions. All of the division's ALJs are qualified neutrals under Rule 114 of the Minnesota General Rules of Practice, and they have become increasingly active in mediating disputes between citizens and state agencies and between public bodies. As of 1-1-99, staffing has been reduced from 11 to 9 full-time, permanent ALJs. The Chief and Assistant Chief ALJs conduct rule and contested case hearing on a part-time basis, and the office contracts with 24 private attorneys throughout the state to conduct contested case proceedings on an as-needed basis. The advantage of using contract ALJs is that it allows the APA section to regulate work flow without having to hire permanent ALJs when referrals from agencies increase and then having to lay them off when referrals decline.

The Child Support Section was established in response to a federal mandate that child support enforcement proceedings be prompt, efficient, and uniform. The section now holds hearings to establish and enforce child support obligations in all of Minnesota's counties. As of 1-1-99, this section's staffing will consist of 4.0 full-time, permanent ALJs and 44.0 part-time contract ALJs. It makes neither operational nor fiscal sense to rely primarily on permanent, full-time child support ALJs to conduct child support hearings throughout all of the state's 87 counties. Using child support contract ALJs allows costs to fluctuate with actual workloads and allows maximum flexibility in delivering service to counties with low levels of activity.

REVENUES:

OAH currently bills state agencies and local units of government for the time that ALJs and staff attorneys spend on rule reviews and hearings, administrative contested case proceedings, and child support proceedings at a rate of \$91 per hour

for ALJs, whether contract or permanent, and \$50 per hour for staff attorneys. OAH expects to receive \$4,776,000 in revolving fund revenues in F.Y. 2000 and \$4,836,000 in F.Y. 2001. OAH also expects to receive approximately \$750,000 for performing certain ancillary functions for the child support system under a cooperative services agreement with the Department of Human Services.

ACTIVITY BUDGET PLAN:

The Administrative Law Division section operates entirely on a revolving fund account.

PERFORMANCE SUMMARY:

- State agencies and local units of government referred 561 administrative rulemaking and contested case proceedings in F.Y. 1998.
- After having been assigned responsibility on 1-1-97 for conducting hearings on risk level appeals by sex offenders under the Community Notification Act, the Department of Corrections referred 54 of those matters to the APA section during the 18 months ending on 6-30-98.
- OAH has an internal policy requiring ALJs to issue orders or reports within 30 days after the record is closed, absent exceptional circumstances. On average, ALJs in the APA section issued their orders and reports with 25.9 days during F.Y. 1998.
- In F.Y. 1998, the Child Support Section conducted 12,144 administrative child support hearings in all 87 of the state's counties at an average cost of about \$284 per hearing.
- 11,322 or 93% of the orders issued in child support proceedings were issued with 30 days.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATIVE HEARINGS
Program: ADMINISTRATIVE HEARINGS
Activity: ADMINISTRATIVE LAW DIVISION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,744	2,112	2,308	2,418	2,418	2,490	2,490	488	11.0%
OPERATING EXPENSES	1,949	2,697	2,412	2,406	2,406	2,395	2,395	(308)	-6.0%
SUBTOTAL STATE OPERATIONS	3,693	4,809	4,720	4,824	4,824	4,885	4,885	180	1.9%
Total Expenditures	3,693	4,809	4,720	4,824	4,824	4,885	4,885	180	1.9%
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
ADMINISTRATIVE HEARINGS	3,693	4,809	4,720	4,824	4,824	4,885	4,885		
Total Financing	3,693	4,809	4,720	4,824	4,824	4,885	4,885		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
ADMINISTRATIVE HEARINGS	3,955	4,909	4,705	4,705	4,705	4,705	4,705		
Total Revenues Collected	3,955	4,909	4,705	4,705	4,705	4,705	4,705		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	32.0	36.5	63.7	63.7	63.7	63.7	63.7		
PART-TIME, SEASONAL, LABOR SER	0.9	0.6	0.6	0.6	0.6	0.6	0.6		
OVERTIME PAY	0.1	0.2	0.2	0.2	0.2	0.2	0.2		
Total Full-Time Equivalent	33.0	37.3	64.5	64.5	64.5	64.5	64.5		

2000-01 Biennial Budget

BUDGET ACTIVITY: Workers' Compensation Division
PROGRAM: Administrative Hearings
AGENCY: Administrative Hearings, Office of (OAH)

ACTIVITY PROFILE:

The Worker's Compensation Division is made up of a Hearing Section and a Settlement Section. The latter was previously the Judicial Services Unit of the Department of Labor and Industry. In 1998, the legislature transferred the functions and personnel of that unit to OAH. The new Settlement Section provides alternative dispute resolution services that result in efficient, final resolution of disputes over workers' compensation benefits. The section's workers' compensation judges resolve disputes by negotiating with the parties or by entering orders following administrative conferences. The Settlement Section refers disputes that it cannot resolve to the Hearing Section for formal evidentiary hearings.

When a contested workers' compensation case is referred to the Hearing Section, a workers' compensation judge considers and decides motions, issues pre-trial orders, schedules and conducts pre-trial hearings and settlement conferences, reviews any settlement agreements and issues awards based on those agreements, conducts trials, and issues final decisions. They also award attorney's fees, process appeals, and handle cases remanded from the Workers' Compensation Court of Appeals.

REVENUES:

Revenues from the Workers' Compensation revolving fund, which consists of appeal fees and copying charges, is expected to be approximately \$10,000 per year.

ACTIVITY BUDGET PLAN:

An appropriation from the Workers' Compensation Special Fund funds the activities of OAHs Workers' Compensation Division. Two budget issues have prompted Special Fund budget initiatives for F.Y. 2000-01.

As a result of legislation enacted in 1997, the compensation and benefits of workers' compensation judges increased 31% during the F.Y. 1998-99 biennium while the base level adjustment to OAHs special fund appropriation for compensa-

tion was only 5.1%. Salary savings covered the difference during the F.Y. 1998-99 biennium. Salary savings from an expected retirement will also cover the deficiency in F.Y. 2000-01.

Major technical and operational problems still remain relating to integrating the computer information systems used by the Department of Labor and Industry, OAHs new Settlement Section in St. Paul, and the Hearing Section in Minneapolis. With the assistance of the Office of Technology, a technology Special Fund budget initiative is proposed to enable all the computer systems to become fully integrated and functional for all participants.

PERFORMANCE SUMMARY:

- Since the Settlement Section was not transferred to OAH until 4-8-98, no performance data is available for F.Y. 1998.
- During F.Y. 1998, 4,996 workers' compensation cases were referred to the Hearing Section for hearing. During the same period, the section disposed of 4,716 cases.
- The average time between receipt of a contested case at the Hearing Section to hearing was 5.8 months.
- State law requires that a final order be entered on regular claim petitions within 60 days after close of the record. About 25% of all claim petitions are treated as "fast-track." The deadline on fast-track cases is 30 days. During F.Y. 1998, the average time for entering a final order on all claim petitions was 33.9 days.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATIVE HEARINGS

Program: ADMINISTRATIVE HEARINGS

Activity: WORKERS COMPENSATION DIVISION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,961	3,440	5,505	5,929	5,929	6,091	6,091	3,075	34.4%
OPERATING EXPENSES	1,160	523	1,102	705	745	738	778	(102)	-6.3%
SUBTOTAL STATE OPERATIONS	4,121	3,963	6,607	6,634	6,674	6,829	6,869	2,973	28.1%
Total Expenditures	4,121	3,963	6,607	6,634	6,674	6,829	6,869	2,973	28.1%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) RENT INCREASE	WCS				40		40		
Total Change Items					40		40		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
WORKERS COMPENSATION	4,115	3,957	6,597	6,624	6,664	6,819	6,859		
STATUTORY APPROPRIATIONS:									
WORKERS COMP TRANSCRIPT	6	6	10	10	10	10	10		
Total Financing	4,121	3,963	6,607	6,634	6,674	6,829	6,869		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
WORKERS COMP TRANSCRIPT	14	12	10	10	10	10	10		
Total Revenues Collected	14	12	10	10	10	10	10		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATIVE HEARINGS

Program: ADMINISTRATIVE HEARINGS

Activity: WORKERS COMPENSATION DIVISION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	48.2	48.3	74.4	81.6	81.6	81.6	81.6
PART-TIME, SEASONAL, LABOR SER	3.7	3.3	4.3	4.3	4.3	4.3	4.3
OVERTIME PAY	0.1	0.3	0.3	0.3	0.3	0.3	0.3
Total Full-Time Equivalent	52.0	51.9	79.0	86.2	86.2	86.2	86.2

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Strategic and Long Range Planning

MISSION AND VISION:

Vision: Minnesota will have a strong economy and high quality of life through comprehensive, long-range policy decisions and planning.

Mission: Continually scan the horizon, identifying and evaluating the critical and emerging issues that will keep Minnesotans focused on the future, provide policy makers and the public with accurate information and analysis, influence policy decisions through long-range planning, and coordinate activities among all levels of government.

KEY SERVICE STRATEGIES:

To keep the state focused on the future, Minnesota Planning:

- identifies opportunities and pressures on the horizon
- informs and involves the public in discussions of the future
- responds quickly and effectively to requests for information and analysis
- develops tools for planning and for tracking progress
- maintains high-quality databases of demographic, geographic, human services and criminal justice information, and helps people use this data
- gives practical assistance to local planning efforts
- improves the coordination of government activities

PERFORMANCE SUMMARY:

Minnesota Planning products are information and ideas. The level of demand for these products by policy-makers and the public can be measured and reported, but how they influence decisions cannot. We believe that quality information is a necessary condition of better public policy and consider the demand for our products a good measure of their value.

Many policy and planning projects combine coordination, public involvement, and data or mapping work from one or more of the agency's information teams--the Land Management Information Center (LMIC), demography and the Criminal Justice Center--along with policy analysis. Results of selected major projects of the last 2 years are described under 3 areas of the agency's mission.

Information products and services

- Forecasted Minnesota's population trends through 2025 in the State Demographic Center's *Faces of the Future* publications. These projections, along with population estimates and other demographic publications, are building blocks for a variety of strategic planning projects within and outside the agency. Businesses use them for planning and marketing and government uses the projections along with information from the Criminal Justice Center, and LMIC to estimate demand for roads, public facilities and services.
- Serviced more than 1,000 organizations per year requesting about 67,000 customized reports, including local data or maps, from 20 online Datanet databases in the areas of demographics, economics, criminal justice, substance abuse, children and families.
- Developed state standards for documenting geographic data and designed an Internet system for searching and retrieving data needed by users of geographic information systems (GIS).
- Coordinated joint state-federal program to develop statewide digital database of photos and maps needed by Minnesota users of GIS. The project received special commendations from the Governor and the U.S. Department of the Interior in October, 1998.
- Enhanced and expanded agency web site, which saw a threefold increase in use between September 1996 and September 1998. The increase in electronic transfer of reports is even more dramatic: 890 were downloaded in September 1996, 7,496 in September 1998.

Analyses of strategic and long-range issues

- Produced *Work in Progress: Federal Welfare Reform in Minnesota*, for the 1997 legislative session. It laid out state policy-makers' options under the new federal law and projected impacts on the state's welfare recipients, labor force, communities and public programs. Organized a January 1997 conference on welfare reform in preparation for legislative decisions, attended by 135 state legislators, 70 local officials, welfare recipients and others. More than 75 percent of returned evaluations rated the event "valuable."
- Coordinated in cooperation with the Department of Health a project that resulted in legislation and a \$5 million appropriation establishing the state's first comprehensive policy to prevent fetal alcohol syndrome. FAS has long-range debilitating affects on children, affecting many publicly-funded systems.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Strategic and Long Range Planning
(Continuation)

- Produced reports requested by the Legislature on firearms forfeitures and the probation funding distribution formula. The *Distribution Formula* report received a national award for excellence in research and policy analysis from the Justice Research and Statistics Association (1997).
- Worked with committees of the Governor's Council on Geographic Information, to analyze strategic issues related to the effective use of geographic information technology. Produced *Laying the Foundations for a Geographic Data Clearinghouse*, *Minnesota Guidelines for Geographic Metadata*, *County Soil surveys: Guidelines for Digitizing*, and *Identifying Land Parcels: Is a Statewide Standard Needed?*

Planning and Coordination

- Completed in 1998 a major revision to *Minnesota Milestones*, a long range plan that tracks the state's progress, modifying 19 goals and 70 progress indicators based on input from more than 1500 citizens. *Minnesota Milestones* is used as an outcome measurement tool by state agencies, counties, family and mental health collaboratives and nonprofit groups. It was recognized in 1998 by the Council of State Governments as an "exemplary state management program." Over 4,000 print copies were distributed to the public in 1997 and 1998.
- Updated the Children's Services Report Card in 1996 and put county data for children's indicators online. It received a regional certificate of recognition in the 1997 Innovations Awards from the Council of State Governments. Two thousand eight hundred print copies were requested during 1997 and 1998.
- Implemented the Community-Based Planning Act and pilot projects that assist volunteer local communities to address growth, land use, conservation, economic development and infrastructure through comprehensive planning. A resource center for local governments offers population data, mapping services, sustainable development expertise and technical assistance.

- Staffed the legislatively mandated Advisory Council on Local Government in 1998, and produced for it the report *Regional Options*, presenting data, analysis and the council's long-range policy options for metropolitan government.
- Organized in 1998, a public advisory body and staff support to study the impact of feedlots, evaluate the future of animal agriculture in the state and develop policy options.
- Engaged more than 3,500 citizens and leaders from all sectors in developing proposals for Sustainable Development for Minnesota's future.
- Supported coordinated approaches to geographic information technology within Minnesota. Represented Minnesota's interests through relationships with the Federal Geographic Data Committee, the US Geological Survey, and the National States Geographic Information Council. With the Metropolitan Council, sponsored MetroGIS, a collaboration among local governments within the metropolitan region. Coordinated the Minnesota Component of a national survey of GIS use in local government.

ORGANIZATION/PROGRAM STRUCTURE:

Minnesota Planning is organized into teams that reconfigure for each project, placing agency resources where they are most needed.

State Demographic Center - forecasts and investigates changes in the population and economy.

Environmental Quality Board - develops policy and reviews proposed projects that would significantly influence Minnesota's environment.

Land Management Information Center - advances the effective use of geographic information and technology for planning and problem solving.

Criminal Justice Information Center - tracks crime and the justice system including juvenile offenses, and administers the innovative teen court program.

Critical Issues Team - identifies emerging issues of statewide importance and develops information, analysis and ideas for dealing with those issues.

Local Planning Assistance Team - helps communities with comprehensive planning and coordinates funding for the Community-Based Planning Act.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Strategic and Long Range Planning
(Continuation)

DIRECTOR/ EXECUTIVE MANAGEMENT & SUPPORT		4.0 fte
State Demographic Center		7.5 fte
Environmental Quality Board		14.3 fte
Land Management Information Center		19.9 fte
Criminal Justice		3.5 fte
Critical Issues		5.0 fte
Local Planning Assistance		4.25 fte
Agency Operation and Support Staff		
Library		1.3 fte
Communications		5.8 fte
Clerical Support		11.0 fte
Fiscal		1.0 fte
Technology Support		2.5 fte
Legislative Coordination		1.0 fte
6/30/98 TOTAL FTEs		81.05

BUDGET PRESSURES:

Harnessing the power of data is central to our mission. In the past few years, we have seen a remarkable increase in the types and amounts of available data and many more requests for reports and analysis. These pressures, together with the rapid advances in technology that make sophisticated data collection, analysis and delivery possible, have challenged the agency and will soon constrain our ability to provide, in a timely fashion, reliable data that is useful to decision makers, local planners and the public.

Preparation for the 2000 Census has strained the resources available to the State Demographer. Recognizing the critical importance of a full and accurate count to Minnesota's future we will be undertaking an ambitious census promotion program and designing and implementing the systems that will result in expeditious production and dissemination of the new census data, including that resulting from the new annual Census Bureau American Community Survey, to begin in 2001.

Citizens and legislators are increasingly sensitive to the effects of growth and change on our economy, environment and communities, leading to an expanding need for environmental review, economic assessment and technical assistance. There has been great interest in the new Community-Based Planning program and a related increase in requests for assistance with developing local comprehensive plans.

Similarly, a growing appreciation of the value of geographic information is driving up demand for this resource. Based upon recommendations of the Governors Council on Geographic Information, we have recognized the importance of a state program to support modernization of county land records and of a statewide geographic data clearinghouse.

LCMR RECOMMENDATION:

- *Promoting High Efficiency Cogeneration* \$100,000
This appropriation is from the Minnesota Future Resources fund to the Office of Long Range and Strategic Planning, Minnesota Environmental Quality Board to develop a statewide inventory of potential cogeneration sites and a regulatory guidance manual.
- *Tools and Training for Community-Based Planning* \$450,000
This appropriation is from the Environment and Natural Resources Trust fund to the Office of Long Range and Strategic Planning to develop software, data, and training for local government planning for delivery of state geographic information systems data and models for social and environmental decision making.

REVENUE SUMMARY:

The agency received \$153,322 in grants from the federal government during the prior biennium. Of the amount received, \$100,825 was grants for the purpose of maintaining and enhancing the states capacity to address criminal justice issues through collection and analysis of data; \$11,996 was from the US Geological Survey to study issues related to better coordination of data development and management between state and federal organizations. We anticipate similar

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Strategic and Long Range Planning
(Continuation)

funding for the 2000-01 biennium.

The Land Management Information Center provides data and analysis on a fee for service basis, generating just over \$522,000 in revenue in F.Y. 1998.

Power plant siting, wind energy and power line routing activities of the Environmental Quality Board generated slightly more than \$294,000 in revenue during F.Y. 1998.

GOVERNOR'S RECOMMENDATION:

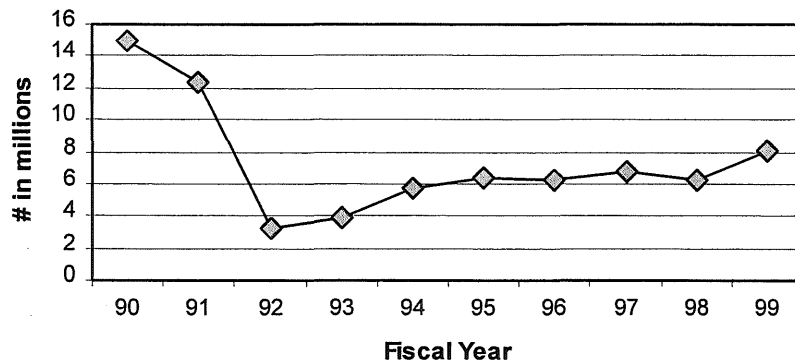
The Governor recommends base level funding plus 4 initiatives. Two of the initiatives are one-time spending: one completes the GEIS feedlot project while the other helps to ensure an accurate count of Minnesota citizens in the 2000 Census. The third initiative builds on the agency's ability to use technology to meet the needs of its customers. The fourth recommended initiative establishes a program evaluation function within the executive branch. The fifth initiative recommends that the Municipal Board remain independent. The Governor makes no recommendation regarding the LCMR projects put forward by the Office of Strategic and Long-Range Planning.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Strategic and Long Range Planning
(Continuation)

TRENDS AND PERSPECTIVE:

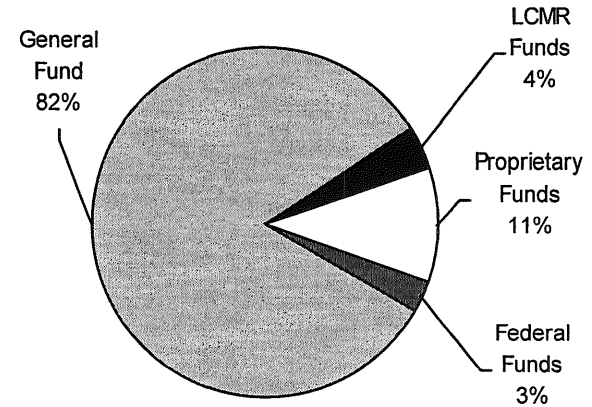
Total Budget - All Funds



In 1991, the Legislature abolished the State Planning Agency and created the Office of Strategic and Long-Range Planning. The agency's General Fund appropriation was significantly reduced and the Land Management Information Center (LMIC) was transferred to the Department of Administration in F.Y. 1992. The 1993 Legislature returned LMIC to Minnesota Planning, effective with the beginning of F.Y. 1994. The agency's funding has remained stable since that time, with the 1998 increase being attributable to the \$1.2 million appropriation for the Generic Environmental Impact Statement on Animal Agriculture.

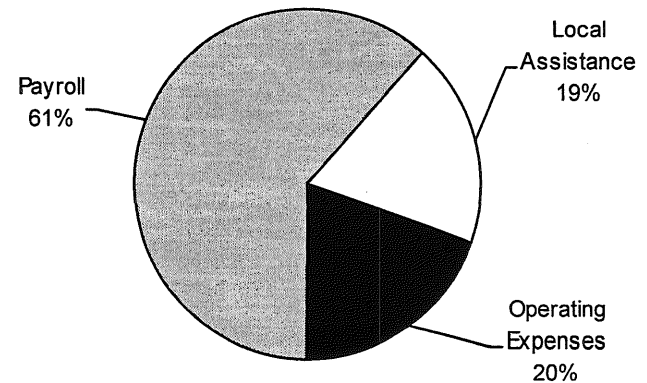
F.Y. 1998-99 Funding Sources

Total \$14.3 million



F.Y. 1998-99 Expenditures by Type

Total \$14.3 million



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PLANNING, STRATEGIC & L R

Program: STRATEGIC & L R PLANNING

Activity: STRATEGIC & L R PLANNING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	3,649	4,006	4,829	4,240	5,281	4,450	4,855	1,301	14.7%
OPERATING EXPENSES	2,490	1,363	1,440	956	2,429	954	897	523	18.7%
SUBTOTAL STATE OPERATIONS	6,139	5,369	6,269	5,196	7,710	5,404	5,752	1,824	15.7%
PAYMENTS TO INDIVIDUALS	1	0	0	0	0	0	0	0	
LOCAL ASSISTANCE	674	918	1,793	0	0	0	0	(2,711)	-100.0%
Total Expenditures	6,814	6,287	8,062	5,196	7,710	5,404	5,752	(887)	-6.2%

<u>CHANGE ITEMS:</u>									
	<u>FUND</u>								
(B) INFORMATION TECHNOLOGY INTEGRATION	GEN				250		250		
(B) CENSUS - DEMOGRAPHY	GEN				100				
(B) GEIS ON ANIMAL AGRICULTURE	GEN				1,800				
(B) INDEPENDENT MUNICIPAL BOARD	GEN				(161)		(327)		
(B) LCMR PROJECTS	EVT				225		225		
(B) LCMR PROJECTS	MNR				100				
(B) PROGRAM EVALUATION	GEN				200		200		
Total Change Items					2,514		348		

<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
ENVIRONMENT & NATURAL RESOURCE	938	0	0	0	225	0	225		
GENERAL	4,218	4,773	6,797	4,478	6,667	4,744	4,867		
MINNESOTA RESOURCES	246	417	137	0	100	0	0		
STATUTORY APPROPRIATIONS:									
GENERAL	555	288	24	0	0	0	0		
SPECIAL REVENUE	689	661	865	613	613	610	610		
FEDERAL	168	148	239	105	105	50	50		
Total Financing	6,814	6,287	8,062	5,196	7,710	5,404	5,752		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PLANNING, STRATEGIC & L R

Program: STRATEGIC & L R PLANNING

Activity: STRATEGIC & L R PLANNING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
REVENUE COLLECTED:							
DEDICATED							
GENERAL	436	143	24	0	0	0	0
SPECIAL REVENUE	871	827	756	610	610	610	610
FEDERAL	229	102	194	105	105	50	50
GIFT	1	0	0	0	0	0	0
NONDEDICATED							
CAMBRIDGE DEPOSIT FUND	170	234	240	262	240	285	240
Total Revenues Collected	1,707	1,306	1,214	977	955	945	900
FTE BY EMPLOYMENT TYPE:							
FULL TIME	67.6	74.4	73.5	73.8	78.8	73.6	75.6
PART-TIME, SEASONAL, LABOR SER	10.4	7.1	7.8	6.7	6.7	6.7	6.7
OVERTIME PAY	0.1	0.0	0.2	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	78.1	81.5	81.5	80.5	85.5	80.3	82.3

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Strategic and Long-Range Planning

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$5,402	\$5,402	\$10,804
<u>BASE ADJUSTMENT</u>			
One-time Appropriation	(1,224)	(1,224)	(2,448)
Municipal Board Transfer	161	327	488
Compensation Inflation	96	195	291
Rent Increase	42	43	85
Statewide Administration Systems	6	6	12
Pension Adjustment	<u>(5)</u>	<u>(5)</u>	<u>(10)</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$4,478	\$4,744	\$9,222
<u>CHANGE ITEMS</u>			
Information Technology Integration	250	250	500
Census Promotion	100	-0-	100
GEIS on Animal Agriculture	1,800	-0-	1,800
Program Evaluation	200	200	400
Independent Municipal Board	<u>(161)</u>	<u>(327)</u>	<u>(488)</u>
GOVERNOR'S RECOMMENDATION	\$6,667	\$4,867	\$11,534

Brief Explanation of Budget Decisions:

- *One-time appropriation reductions*
Reductions for Community Based Planning, Census Activities, Teen Courts, and Wind Power.
- *Municipal Board transfer*
Legislation eliminating the Municipal Board takes effect on 12-31-99 and transfers the board's responsibilities and staff to Minnesota Planning. The change represents 18 months expense.
- *Base Adjustment for compensation, rent increases, and Statewide Administration Systems*

Allows the agency to maintain the same level of staffing and office space as in the previous biennium, necessary for continued support of our basic function. This also allows the agency to meet rent and Statewide Administration System cost increases.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends base level funding plus 5 initiatives.

Information Technology Integration. Ensures the effective use of information technology to meet business needs.

Census Promotion. Funding to raise public awareness of the Year 2000 Census to ensure an accurate count of Minnesota residents.

Generic Environmental Impact Statement on Animal Agriculture. Funding to complete the feedlot GEIS, a study conducted by the EQB.

Program Evaluation. Establishes a program evaluation function within the executive branch.

Independent Municipal Board. The board retains its independence and remains an entity separate from the Office of Strategic and Long-Range Planning. The functions of these 2 agencies are incompatible.

The Governor makes no recommendation regarding the LCMR projects put forward by the Office of Strategic and Long-Range Planning.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: PLANNING, STRATEGIC & L R

PROGRAM: STRATEGIC & L R PLANNING

ACTIVITY: STRATEGIC & L R PLANNING

IT Change Item: INFORMATION TECHNOLOGY INTEGRATION

ITEM DESCRIPTION AND PURPOSE:

The agency is requesting an increase of \$250,000 per year in base funding to create an information technology unit, headed by a Chief Information Officer. The CIO will oversee preparation and implementation of an agency Information Resource Management Plan, the design and maintenance of the agency's website and databases and computer support services.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	15	15	10	10	5	5
Personnel	200	212	224	238	238	238
Services	20	15	11	0	0	0
Software	10	5	5	2	2	2
Supplies	0	0	0	0	5	5
Training	5	3	0	0	0	0
Total	250	250	250	250	250	250

Increase in base funding to expand information delivery and ensure the integrity of the process.

RATIONALE:

A principal function of Minnesota Planning is to serve as an information broker for other units of government and the public. Several strategically important units support this function: the State Demographic Center, the Land Management Information Center, the Criminal Justice Statistics Center and the Environmental Quality Board. With the growth of technology and a rapid increase in the amount and types of data available, our present systems for information delivery are becoming outdated. We have seen a steady increase in requests for demographic, geographic, environmental and human services data and analysis from policy makers and planners. We need to be positioned to respond promptly and accurately in order to facilitate their decision-making process. Rather than limit this function, we need to expand it through delivery systems like the agency's DATANET, a collaborative effort that disseminates county-level data from a number of state agencies.

We have collaborated with the public, local officials and other state agencies in developing "Minnesota Milestones", the state's long-range plan containing 19 goals. We need to expand our ability to gather data, measure progress and highlight those areas where improvement is needed.

Our mission requires that we provide impartial, balanced information; to do this we need to assure data accuracy and integrity. The information technology unit will enable us to more effectively address this mission through: improved dissemination of information and data collected by LMIC, the EQB, the State Demographer and the Criminal Justice Statistics Center; a complete Information Resource Management Plan; policies and procedures for systems administration and security, information technology purchases, computer and network use, Internet use, user support, applications development and database design; improved integration of systems that support Minnesota Planning functional units.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X	X			
Operations	X	X	X	X	X	X
Modification			X	X		
Retirement						

An ongoing project that will change with business and operational needs.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: PLANNING, STRATEGIC & LONG RANGE

IT Change Item: Information Technology Integration
(Continuation)

OFFICE OF TECHNOLOGY ANALYSIS:

The agency is new to the information resource management approach. The agency will be required to address information resource management practices in conjunction with receipt of funding.

OT Master Plan: Goal 2-Efficient and effective government. This project would hire a chief information officer to oversee planning, design and maintenance of agency computer systems and web-sites. Recommendation: Proceed with project. OT supports this project.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a base increase of \$500,000 to create an information technology unit so that MnPlanning can provide a more efficient and effective service to citizens and other units of government.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Strategic and Long Range Planning
PROGRAM:
ACTIVITY:

ITEM TITLE: Census Promotion

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$100	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ___ No <u>X</u>				
If yes, statutes(s) affected:				
<input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a \$100,000 one-time appropriation to help ensure an accurate count of Minnesota residents during the 2000 Census.

RATIONALE:

The 2000 Census has a major impact on the state. It is used for congressional apportionment, allocation of federal funding, project and facilities planning, financing, legislative redistricting, and many other purposes. So, accuracy of the census data is very important. To ensure that a full count of the state's population is achieved, supplemental funding is needed to produce promotional material, work with local units of government in the promotional efforts, and encourage other organizations to become involved in promoting the census. The appropriation is to fund, for one year, a temporary census promotion staff person, and related expenses for travel, supplies and promotional materials associated with the Census 2000 promotion.

Without this extra promotional effort, we run the risk of an incomplete count,

which could result in a decrease in funding for certain federal programs, inaccurate congressional and legislative district reapportionment and reduced ability of communities to wisely plan for the future.

FINANCING:

- One-time funding to ensure a complete and accurate census count.

OUTCOMES:

The result of this initiative will be a complete, accurate 2000 Census in Minnesota that will ensure proportionally correct federal funding and accurate congressional and legislative district reapportionment.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Strategic and Long Range Planning
PROGRAM:
ACTIVITY:

ITEM TITLE: GEIS on Animal Agriculture

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,800	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a \$1,800,000 one-time appropriation to conclude the feedlot Generic Environmental Impact Statement (GEIS).

RATIONALE:

The GEIS on animal agriculture--commonly known as the "feedlot GEIS"--is a statewide study that was authorized and funded by the 1998 Minnesota Legislature (Laws of Minnesota 1998, Chapter 266, Sections 5 and 86). The need for the study grew out of the recent controversy surrounding the expansion in the size and number of feedlots in the state. This statewide study will provide objective, scientific information allowing Minnesotans on all sides of the feedlot issue to learn the facts, express their opinions and weigh future policy options. The GEIS is intended to provide a full public examination of environmental issues as well as important social and economic factors surrounding animal agriculture.

The Environmental Quality Board (EQB) is conducting the GEIS on animal agriculture with assistance from a citizen advisory committee, representing 25 groups with a stake in the animal agriculture issue. The group will advise the EQB on the "scope and content" of the animal agriculture study. The draft scoping document was presented for approval to the EQB in December 1998. Current plans call for the draft GEIS to be completed by January 2000. This \$1.8 million one-time budget request is for the second year of the study only.

FINANCING:

One-time funding to permit examination of the issues identified by the public in the scoping process.

OUTCOMES:

- Final GEIS document on animal agriculture
- Increased understanding among the public, interest groups and elected officials on the animal agriculture issue
- Consensus-based policy recommendations on animal agriculture

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Office of Strategic and Long Range Planning

ITEM TITLE: Program Evaluation

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$200	\$200	\$200	\$200
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$200 each year to to conduct program evaluations, promote quality management principles, and coordinate performance reporting.

RATIONALE:

This initiative establishes a program evaluation function for the executive branch in the Minnesota Office of Strategic and Long Range Planning.

The Governor believes that there is a need for continuous scrutiny of existing programs to ensure they satisfy a genuine need, that the role of government is properly limited, and that appropriate dollars are spent with demonstrated results. Effective review of the state's programs, functions and structure have not been centralized or coordinated well within state government. Current efforts include consulting through the Department of Administration's Management Analysis Unit, coordinating Performance Measurement and Reporting through the Department of Finance, and supporting Quality Management Principles through the Department

of Employee Relations' Quality College. While all of these efforts are related to improving state services there is no central evaluation function within the executive branch.

This initiative will provide funding to evaluate selective state government functions, identify areas of duplication or poor coordination of effort, recommend ways to combine or organize services to be more effective and efficient. In addition, programs scheduled to sunset would be reviewed to determine if they are successful, and if continuation is warranted.

Collecting meaningful data and information is central to measuring the performance of state programs. Accordingly, the unit will coordinate state agencies' performance reporting efforts.

Combining strategic planning program evaluation, quality management, and performance reporting within the executive branch will better target efforts to manage the results within state government and ensure more accountability in state programs.

FINANCING:

This unit would be located in the Office of Strategic and Long Range Planning and would be supported by the General Fund.

OUTCOMES:

Improved information on state programs will be available to the Governor and the Legislature along with specific recommendations to improve delivery of state services.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Strategic and Long-Range Planning
PROGRAM:
ACTIVITY:

ITEM TITLE: Independent Municipal Board

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(161)	\$(327)	\$(327)	\$(327)
Revenues: (\$000s)				
General Fund	\$(22)	\$(45)	\$(45)	\$(45)

Statutory Change? Yes X No _____

If yes, statutes(s) affected: Laws of 1997, Chap. 202, Art. 5, Sec. 8

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the Municipal Board retain its independence and remains an entity separate from the Office of Strategic and Long-Range Planning. The Laws of 1997, Chapter 202, Article 5, Section 8 should be repealed.

RATIONALE:

The Office of Strategic and Long-Range Planning provides technical assistance and advice to local governments engaged in comprehensive planning. Success depends on local government's confidence in the process. The Municipal Board is a hearing and decision-making body and is called upon to make controversial decisions. These 2 functions are not compatible and their combination would make it difficult for the Office of Strategic and Long-Range Planning to continue to help local government make complex planning decisions.

FINANCING:

Base funding restored to the Municipal Board.

OUTCOMES:

The Municipal Board retains its independent status. The Office of Strategic and Long-Range Planning continues to work with local government to help make planning decisions independent of functions that would negatively impact the process.

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Administration, Department of (Admin)

AGENCY MISSION AND VISION:

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.

The agency is committed to using all its resources wisely and effectively to provide high quality services and products to its customers. Admin strives for professionalism, integrity and quality, and seeks to be a model business operation and leader in the management of Minnesota government.

Admin believes in guiding values that form the foundation of a healthy workplace and a quality customer service environment. In carrying out its mission, Admin:

- Values one another
- Values internal and external customers
- Values high performance

KEY SERVICE STRATEGIES:

The department's primary statutory duties are detailed in M.S. 16B and 16C. Admin serves both state and local government agencies. Its primary clientele are state agencies.

In order to best serve the ever-changing and increasing needs of its customers, Admin has strategically developed the following programmatic structure with associated services and products:

- **Operations Management:** risk management insurance services, contracting and purchasing services, sale of office supplies, sale of surplus property, travel management services, printing services, sale of state documents, mailing services, micrographics and records storage services, and statewide volunteer services.
- **InterTechnologies Group:** data processing, telecommunications, and 9-1-1 emergency telephone services.

- **Facilities Management:** real estate leasing; building, maintenance, and grounds services; energy management; resource recycling/recovery services; parking services; building codes and standards; and building construction.
- **Management Services:** department management, financial and human resources services for the department, administrative support to several boards and councils, management consulting services, information policy analysis, statewide employee assistance services, and a state archaeology program.
- **Fiscal Agent:** assistance to disabled individuals throughout the state, and grants administration.

OPERATING ENVIRONMENT:

Admin serves the ever-changing needs of both state and local government agencies. Through constant planning, research, analysis, surveying, and customer contacts, Admin provides these agencies with quality, cost-effective administrative services and management leadership.

Typically, Admin generates over 80% of its operating funds through fee-generating activities. This creates a strong incentive for the department to constantly provide the quality and cost-effective products and services demanded by its customers. State and local governments are not required to purchase Admin products or services, so constant attention to cost efficiencies, and quality and technology improvements are necessary to meet this ever-changing demand.

ORGANIZATION/PROGRAM STRUCTURE:

COMMISSIONER AND EXECUTIVE TEAM	
Operations Management	206 fte
InterTechnologies Group	257 fte
Facilities Management	310 fte
Management Services	82 fte
Fiscal Agent	9 fte

6/30/98 TOTAL FTEs 864

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Administration, Department of (Admin)
(Continuation)

The Governor also recommends that \$4,697,000 in F.Y. 2000 and \$4,761,000 in F.Y. 2001 collected in the Plant Management Internal Service Fund through state agency lease rates be retained in that fund for repair and preservation of buildings and facilities. This money was previously collected for building depreciation and transferred to the General Fund.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following changes to the agency base level. The change items are outlined on the following budget brief pages as well as detailed on individual change item pages within the agency's budget.

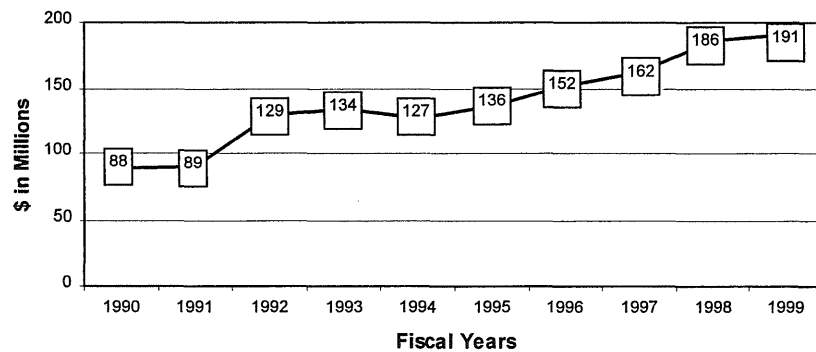
<u>Change Item/Fund</u>	<u>Biennial Total</u>
General Fund	
MailComm Funding	\$ 253,000
Connecting Minnesota Network Initiative	2,200,000
Electronic Government Services:	
Directory Services	1,175,000
Security Information Technology	1,860,000
Security Infrastructure	1,400,000
Year 2000 Contingency Fund	2,500,000
Security Infrastructure - Capitol Complex	520,000
Citizens' Suggestion Web Site	100,000
Eliminate Funding to State Archaeologist	(388,000)
Employee Assistance Program Funding	500,000
Augmentative and Alternative Communications	210,000
Technology Related Assistance for Individuals	900,000
General Fund Total	\$ 11,230,000
State Government Special Revenue	
Metro Radio Board Supplement	\$ 1,372,000

**2000-01 Biennial Budget
Agency Executive Summary**

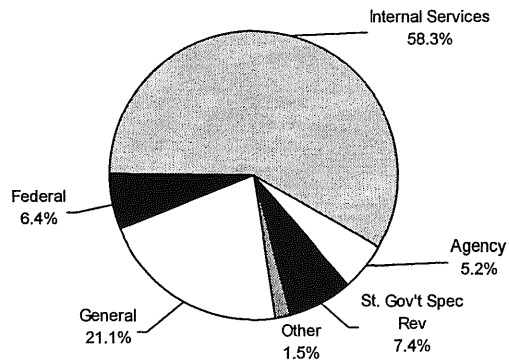
AGENCY: Administration, Department of (Admin)
(Continuation)

TRENDS AND PERSPECTIVE:

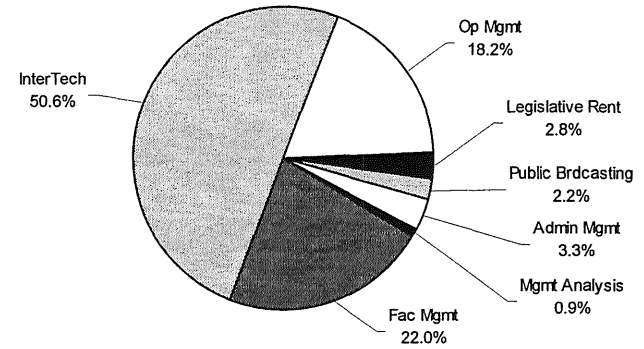
Total Budget - All Funds *



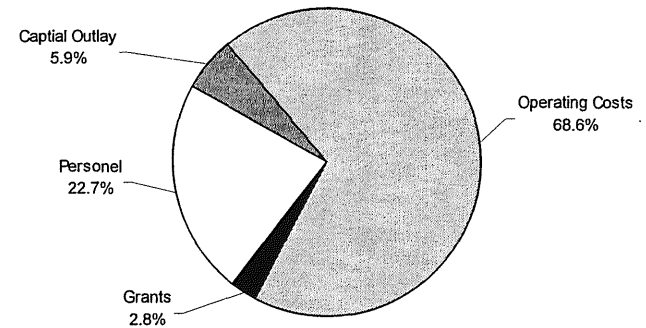
1998-99 Expenditures by Fund *
Total \$376.7 Million



1998-99 Expenditures by Program *
Total \$376.7 Million



1998-99 Expenditures by Category *
Total \$376.7 Million



* Includes Internal Services Funds but excludes
Construction Project Funds

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
OPERATIONS MANAGEMENT	14,396	13,869	13,410	15,267	15,387	15,361	15,494	3,602	13.2%
INTERTECHNOLOGIES GROUP	11,426	22,613	36,210	12,974	18,877	13,086	17,690	(22,256)	-37.8%
FACILITIES MANAGEMENT	12,145	25,899	18,700	9,683	10,203	9,885	9,885	(24,511)	-55.0%
MANAGEMENT SERVICES	3,364	4,906	5,337	5,056	5,164	5,166	5,270	191	1.9%
FISCAL AGENT	2,215	3,629	2,243	1,199	1,859	1,201	1,651	(2,362)	-40.2%
Total Expenditures	43,546	70,916	75,900	44,179	51,490	44,699	49,990	(45,336)	-30.9%

FINANCING BY FUND:							
CARRY FORWARD:							
STATE GOVERNMENT SPECIAL REVENUE	395	77	6,370	0	0	0	0
DIRECT APPROPRIATIONS:							
GENERAL	15,586	28,222	34,104	13,787	20,450	14,214	18,781
MINNESOTA RESOURCES	0	440	0	0	0	0	0
STATE GOVERNMENT SPECIAL REVENUE	7,020	9,085	11,342	11,057	11,705	11,043	11,767
NATURAL RESOURCES	0	0	50	0	0	0	0
TRUNK HIGHWAY	0	464	0	0	0	0	0
HIGHWAY USERS TAX DISTRIBUTION	0	21	0	0	0	0	0
STATUTORY APPROPRIATIONS:							
STATE GOVERNMENT SPECIAL REVENUE	2,202	2,819	3,800	4,100	4,100	4,200	4,200
SPECIAL REVENUE	1,570	2,872	3,200	2,946	2,946	2,946	2,946
FEDERAL	6,187	16,481	7,269	965	965	965	965
AGENCY	10,451	9,793	9,478	11,228	11,228	11,235	11,235
GIFT	135	642	287	96	96	96	96
Total Financing	43,546	70,916	75,900	44,179	51,490	44,699	49,990

FTE BY EMPLOYMENT TYPE:							
FULL TIME	246.0	245.1	268.7	263.7	268.7	263.7	268.7
PART-TIME, SEASONAL, LABOR SER	6.6	6.3	1.0	1.0	1.5	1.0	1.5
OVERTIME PAY	0.9	0.8	0.2	0.2	0.2	0.2	0.2
Total Full-Time Equivalent	253.5	252.2	269.9	264.9	270.4	264.9	270.4

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Administration, Department of

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$31,267	\$31,267	\$62,534
<u>BASE ADJUSTMENT</u>			
Annualization of New Programs	140	248	388
One-Time Appropriations	(18,031)	(18,031)	(36,062)
Doc. Space Rental/Lease	154	169	323
Statewide Administration Systems	9	9	18
2000-01 Sal. & Ben. Base	294	598	892
Program/Agency Sunset	(281)	(281)	(562)
Transfers Between Agencies	250	250	500
Uniform Pension Bill Red.	(15)	(15)	(30)
<u>BASE LEVEL (for 2000 and 2001)</u>	\$13,787	\$14,214	\$28,001
<u>CHANGE ITEMS</u>			
MailComm Funding	120	133	253
Elec. Govt. Svc. Directory Services	725	450	1,175
Elec. Govt. Svc. Security Info. Technology	1,030	830	1,860
Elec. Govt.. Svc. Security Infrastructure	1,000	400	1,400
Year 2000 Contingency Fund	2,500	-0-	2,500
Connecting Minnesota Network Init.	-0-	2,200	2,200
Security Infrastructure - Capitol Complex	520	-0-	520
Employee Assistance Program Funding	250	250	500
Augmentative & Alternative Communica.	210	-0-	210
Technology Related Assistance for Indiv.	450	450	900
Citizens' Suggestion Web Site	50	50	100
Eliminate Funding to State Archaeologist	(192)	(196)	(388)
GOVERNOR'S RECOMMENDATION	\$20,450	\$18,781	\$39,231

Brief Explanation of Budget Decisions:

- Base adjustments include \$388,000 for annualization of the network telecommunications initiative appropriated during the 1997 legislative session.
- One-time appropriations total (\$18,031) per year: the Year 2000 Project (\$15.171 million), repair and replacement of state facilities (\$2.250 million), Governor's Portrait (\$20,000), the STAR Program (\$175,000), Pioneer Public

Radio Tower (\$315,000), and a legislative study on pretrial release (\$100,000) have been removed.

- Budget guidelines allow for an increase of \$18,000 for Statewide Administration Systems, \$323,000 for documented space rental changes, and \$892,000 for compensation-related adjustments.
- A reduction of \$562,000 reflects to the sunset of the IISAC program.
- The Department of Finance is transferring \$500,000 to Admin to cover the costs of staff performing Help Desk, EDI and report writing support, and user training associated with MAPS. Finally,
- \$30,000 is taken for the department's uniform pension bill reduction as required by the budget instructions.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base level funding and the following change items:

- \$253,000 to cover the increased cost of providing mail service operations to state agencies.
- The following Electronic Government Services initiatives sponsored by the Information Policy Council (IPC):
 - \$1.175 million to provide directory services infrastructure as an enabling technology capable of supporting future Electronic Government Services initiatives.
 - \$1.86 million to conduct coordinated security impact analysis and planning in state agencies, in preparation for the delivery of secure electronic government services to the citizens of Minnesota.
 - \$1.4 million to establish a statewide encryption infrastructure to allow agencies to meet their security responsibility to "protect computerized information in a manner commensurate with its sensitivity, value, criticality, and in accordance with M.S. Chapter 13."

**2000-01 Biennial Budget
Agency Budget Brief**

Agency: Administration, Department of
(Continuation)

Fund: General

-
- \$2.5 million in Year 2000 contingency funds needs to be available for emergency failure of systems, electronic equipment, and state business partners.
 - \$2.2 million in F.Y. 2001 for electronic hardware/software to provide statewide infrastructure development through the Connecting Minnesota Project.
 - \$520,000 for a Capitol Complex security infrastructure.
 - \$500,000 for the Employee Assistance Program to meet the demand for clinical and organizational services addressing problems negatively affecting employee performance and organizational effectiveness.
 - \$210,000 for the STAR program to develop a statewide Augmentative and Alternative Communication (ACC) Education and Recycling grant program, and \$900,000 for the STAR program to develop a statewide technology-related assistance program for individuals of all ages with disabilities.
 - \$100,000 for a new Citizens' Suggestion Web Site to provide greater input from Minnesotans on improving state government operations and services.
 - A reduction of \$388,000 reflecting the elimination of agency funding of the Office of the State Archaeologist.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Administration, Department of **Fund:** State Government Special Revenue

<u>BASE YEAR (F.Y. 1999)</u>	F.Y. 1999	F.Y. 2000	F.Y. 2001	Biennium
Appropriations (F.Y. 1999)	\$10,987	\$11,054	\$11,040	\$22,094
<u>BASE ADJUSTMENT</u>				
Statewide Administration System		<u>3</u>	<u>3</u>	<u>6</u>
<u>BASE LEVEL (FOR 1999-2001)</u>		\$11,057	\$11,043	\$22,100
<u>CHANGE ITEMS</u>				
Metro Radio Board (F.Y. 1999 Supplement)	<u>465</u>	<u>648</u>	<u>724</u>	<u>1,372</u>
GOVERNOR'S RECOMMENDATIONS	\$11,452	\$11,705	\$11,767	\$23,472

Brief Explanation of Budget Decisions:

- Budget guidelines allow for an increase of \$6,000 for Statewide Administration Systems.
- The current 9-1-1 fee is set at 27 cents, based on F.Y. 1999 estimated costs and an assumed average subscriber count of 3.7 million.
- M.S. 473.901 requires the Department of Administration to include a portion of the Metropolitan Radio Board budget in its request for legislative appropriations. The Board has increased its F.Y. 1999 budget request by \$465 thousand. This request is for \$1.837 million for the period through F.Y. 2001. Existing 9-1-1 fee collections are sufficient to cover this added expense.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency base level funding and an increase to base for anticipated costs of the 9-1-1 Emergency Services program from the State Government Special Revenue Fund.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Administration, Department of

Fund: Natural Resources

<u>BASE YEAR (F.Y. 1999)</u>	F.Y. 2000	F.Y. 2001	F.Y. 00-01
Budget Appropriations (F.Y. 1999)	\$50	\$50	\$50
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(50)	(50)	(50)
<u>BASE LEVEL (FOR 2000-2001)</u>	-0-	-0-	-0-
GOVERNOR'S RECOMMENDATION	-0-	-0-	-0-

Brief Explanation of Budget Decisions:

- This base adjustment reduction is for a one-time appropriation of \$50,000 for a watercraft fuel study in accordance with Laws of Minnesota 1998, Chapter 401, Section 9.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency request.

**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Administration, Department of (Admin)

REVENUE SOURCES: The Department generates both nondedicated and dedicated revenue. The non-dedicated revenue is generated through the receipts collected for resource recovery/recycling activities. These receipts are estimated to be nearly \$105,000 for F.Y. 1999.

Dedicated revenue is generated through various activities and from both governmental and nongovernmental sources. Revenues generated from these sources are deposited in special revenue, agency, and federal accounts. For the F.Y. 1998-99 biennium, special revenue funds account for approximately 9% of the department budget, agency funds 5%, and federal funds 6%.

The Developmental Disabilities Council and the STAR program receive federal grant dollars. The STAR program is unsure of future federal funding for its program in the F.Y. 2000-2001 biennium.

Revolving funds account for nearly 60% of the department's budget. Fees are generated through rates charged to customers for services and products. These funds are shown separately throughout the budget document on individual financial pages. The revenue collected is deposited into specific accounts in the state system. They do not appear in the biennial budget numbers.

FEE STRUCTURE: Several programs authorized through state statutes require the Department of Administration to operate programs through user fees. Fees are established to recover the cost of providing these services to various clients.

Special Revenue Fund: Parking revenue is generated through fees to state employees and agencies using state-owned parking space. State employees in the Commuter Van Program pay fees based on the use of state vehicles driving between home and work. The Minnesota Office of Citizenship and Volunteer Services generates a small amount of revenue through the sale of memberships, books and products.

State Government Special Revenue Fund: Building Codes generates revenue through surcharge fees and other miscellaneous fees collected for plan reviews, inspections, certifications, and licenses. The 9-1-1 Program generates revenue through telephone subscriber fees.

Agency Fund: Pass-through revenue is generated from state employees electing to purchase discounted bus tickets used for commuting between work and home. The postage account generates pass-through revenue by charging state agencies postage for their federal mailings.

Federal Funds: The Developmental Disabilities Council and the STAR Program receive federal funds for their operations and granting activities.

RECENT CHANGES: Market conditions have an impact on the department's revenue collections. When the economy is good, as is the current condition, revenues trend upward. The construction market directly affects building code revenues and the number of phones in use dictates 9-1-1 revenues. Parking revenues are dependent upon employee counts and the availability of parking spaces. In general, all of these programs have grown at a moderate rate over recent years.

The 9-1-1 Program recently increased revenues due to 1997 legislation expanding the scope of the enhanced 9-1-1 fee, requiring collection from the wireless access service providers. Effective 7-1-98, the fee was increased to 27 cents to cover the costs of implementing wireless enhanced 9-1-1. This was an increased fee of 5 cents per phone. In addition, the Metro Radio Board has requested an increase in their 1999 budget, directly affecting the 9-1-1 budget.

Federal funding for the STAR program was reduced by 33% in F.Y. 1999. This federally mandated reduction will necessitate the program to reduce services based on customer preferences and pursue other funding sources. The U.S. Secretary of Education will determine if Minnesota receives future federal funding under the Assistive Technology Act of 1998.

FORECAST BASIS: The revenues are estimated based on volume and cost projections. Increases are projected due to the positive economic climate and the increasing use of technology. Legislative mandates have increased 9-1-1 revenues and decreased federal revenues in the STAR program.

CHANGE ITEMS: M.S. 473.901 requires the Department of Administration to include a portion of the Metropolitan Radio Board budget in its request for the legislative appropriation. The Board submitted an increase to their 1999 budget in the amount of \$465 thousand. A supplemental appropriation is requested to allow the Department of Administration to comply with the Metro Radio Board budget request. Existing 9-1-1 fee collections are sufficient to cover this added expense. No fee increase is requested.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
DEPARTMENTAL EARNINGS (INTER-AGENCY):									
GENERAL	191	167	105	107	107	110	110	(55)	-20.2%
DEPARTMENTAL EARNINGS:									
STATE GOVERNMENT SPECIAL REVENUE	2,966	0	0	0	0	0	0	0	
OTHER REVENUES:									
GENERAL	1	1	1	0	0	0	0	(2)	-100.0%
OTHER SOURCES:									
GENERAL	12	4	0	0	0	0	0	(4)	-100.0%
TAXES:									
GENERAL	165	100	0	0	0	0	0	(100)	-100.0%
Total Non-Dedicated Receipts	3,335	272	106	107	107	110	110	(161)	-42.6%
DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS (INTER-AGENCY):									
SPECIAL REVENUE	1,708	1,881	2,387	2,456	2,456	2,479	2,479	667	15.6%
AGENCY	171	189	228	228	228	235	235	46	11.0%
DEPARTMENTAL EARNINGS:									
STATE GOVERNMENT SPECIAL REVENUE	8,822	14,136	15,705	16,902	16,902	17,734	17,734	4,795	16.1%
SPECIAL REVENUE	24	27	18	18	18	18	18	(9)	-20.0%
GRANTS:									
STATE GOVERNMENT SPECIAL REVENUE	267	442	500	0	0	0	0	(942)	-100.0%
FEDERAL	6,465	15,308	7,278	965	965	965	965	(20,656)	-91.5%
GIFT	10	40	0	0	0	0	0	(40)	-100.0%
OTHER REVENUES:									
GENERAL	0	0	25	0	0	0	0	(25)	-100.0%
STATE GOVERNMENT SPECIAL REVENUE	66	93	130	30	30	30	30	(163)	-73.1%
SPECIAL REVENUE	358	1,446	1,406	1,414	1,414	1,414	1,414	(24)	-8%
AGENCY	9,986	9,845	9,251	11,000	11,000	11,000	11,000	2,904	15.2%
GIFT	180	387	108	90	90	90	90	(315)	-63.6%

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
DEDICATED RECEIPTS:									
OTHER SOURCES:									
SPECIAL REVENUE	0	0	17	0	0	0	0	(17)	-100.0%
AGENCY	0	179	0	0	0	0	0	(179)	-100.0%
GIFT	0	0	6	6	6	6	6	6	100.0%
Total Dedicated Receipts	28,057	43,973	37,059	33,109	33,109	33,971	33,971	(13,952)	-17.2%
Agency Total Revenues	31,392	44,245	37,165	33,216	33,216	34,081	34,081	(14,113)	-17.3%

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2000-2001 Biennial Budget
Federal Funds Summary
(\$ in Thousands)

Agency: Administration

Federal Funds Summary:

Developmental Disabilities Council (DDC)

- **Importance of federal funds to agency operations and programs:** Federal funds provide 95% of the Council's operating and program budget. Not less than 65% of each year's grant must be allocated to programs and activities that will result in increased independence, productivity, integration, and inclusion of people with developmental disabilities and their families in the community. The balance of each year's grant is for operating purposes.
- **Significant changes in program funding or guidelines in past year:** During 1993-1994, Congress passed the Government Performance and Results Act (GPRA). Federal government effectiveness and public accountability are promoted under GPRA. Results, service quality, and customer satisfaction are the focus. Clear goals, objectives, and measurements, and actual results that really matter to citizens are central themes.

The Council's funding is from the Administration on Developmental Disabilities (ADD). As a federal agency, the ADD is covered under GPRA and the Council, as a grant recipient, is also covered.

The Council is investing in a quality initiative based on the Malcolm Baldrige National Quality Award Criteria and requiring that 4 of our key suppliers (grant recipients) align themselves with the Council to achieve our intended results. The Council and key suppliers will be conducting self-assessments during the next grant year.

- **Areas at risk of future funding cuts or possible increases:** Federal funds were reduced in F.F.Y. 1996 due to general Congressional budget reductions. The final allocation received in F.F.Y. 1996 (\$963,734) was a 7.3% reduction over F.F.Y. 1995; we have since recovered only 1% of that loss in subsequent funding years. The Council will be level funded in F.F.Y. 1999. Projected funding for FFYs 2000 and 2001 is estimated at the F.F.Y. 1999 level.

System of Technology to Achieve Results (STAR)

- **Importance of federal funds to agency operations and programs:** Beginning on 10-1-98, STAR will enter the 10th year of federal funding under the Technology Related Assistance for Individuals with Disabilities Act (Tech Act). This act is scheduled to sunset on 9-30-99. A new law, the Assistive Technology Act of 1998, was signed by President Clinton 11-13-98. The Secretary of Education will determine if states such as Minnesota, who have received federal funding for 10 years, will receive federal funds during the next 3 years. No determination on future federal funding has been made to date. If Minnesota does not receive additional federal funds, the STAR program will end 9-30-99.
- **Significant changes in program funding or guidelines in past year:** The federal appropriation (\$569,300), combined with the state appropriation (\$175,000), has allowed the STAR program to continue to provide a consumer-driven, comprehensive program of technology-related assistance for individuals of all ages with disabilities. Beginning 10-1-98, STAR will receive federal funds in the amount of \$379,533. With this statutory mandated decrease, STAR will reduce its services based on customer preference and pursue other funding sources.
- **Areas at risk of future funding cuts or possible increases:** As discussed above, the U.S. Secretary of Education will determine if Minnesota and 9 other states will receive additional federal funding under the Assistive Technology Act of 1998.

**2000-2001 Biennial Budget
Federal Funds Summary (Cont.)
(\$ in Thousands)**

Agency: Administration

Federal Program	Related State Spending	Primary Purpose	SFY 1998 Revenues	SFY 1999 Revenues	Estimated SFY 2000 Revenues	Estimated SFY 2001 Revenues
Developmental Disabilities Council (DDC)	Yes	SO/GI	\$965	\$965	\$965	\$965
System of Technology to Achieve Results (STAR)	Yes	SO	569	380	-0-	-0-
Agency Total			\$1,534	\$1,345	\$965	\$965

KEY:

SO - State Operations
GPS - Grants to Political Subdivisions
GI - Grants to Individuals

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2000-01 Biennial Budget

PROGRAM: Operations Management

AGENCY: Administration, Department of (Admin)

PROGRAM PROFILE:

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, 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 and sale of official documents and providing for their sale.
- Publishing and distributing certain state documents, including the *State Register* and *Guidebook to State Agency Services*.
- 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.

STRATEGIES AND PERFORMANCE:

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 that met this objective during the 1998-99 biennium include the following:

- A major procurement reform initiative that streamlined, modernized and recodified the state’s procurement statutes.
- Certification from the Council of Great Lakes Governors and the printing Industry of Minnesota as a “Great Printer” for meeting the highest standards of environmental responsibility, including recycled paper stock usage in excess of 98% and use of recycled ink.
- Partnership with the Minnesota Alliance with Youth, the adult/youth collaboration whose 1998 statewide meeting featured Retired General Colin Powell and Vice President Al Gore.
- Disaster relief efforts to Minnesota’s cities and townships, resulting in the distribution of more than 1 million sandbags, as well as generators, blankets and other emergency items.
- Conversion of previously paid-subscription-only information about state government—*State Register*, *Contracts Supplement* and *Guidebook to State Agency Services*—to free availability on the World Wide Web.
- An emergency relocation of motor pool and central stores operations without any significant disruption in service to customers.
- A statistical analysis of public purchasing to ascertain the appropriate constitutional scope of Minnesota’s affirmative action programs for state procurement.

OMB was unable to implement the 1997 prescription drug contracting law. However, despite the veto of the related appropriation, the bureau worked with advocates of the bill to develop a survey of Minnesota pharmacies whose voluntary participation would be essential to implementation. The survey showed that pharmacies were not satisfied with the economic incentives for them to participate.

Because OMB operations are largely funded through fees paid by customers who are not required to use them, the bureau must exercise strict business discipline to provide services that match other options in price, quality and convenience.

2000-01 Biennial Budget

PROGRAM: Operations Management

AGENCY: Administration, Department of (Admin)
(Continuation)

Key specific performance objectives for the 2000-2001 biennium include the following:

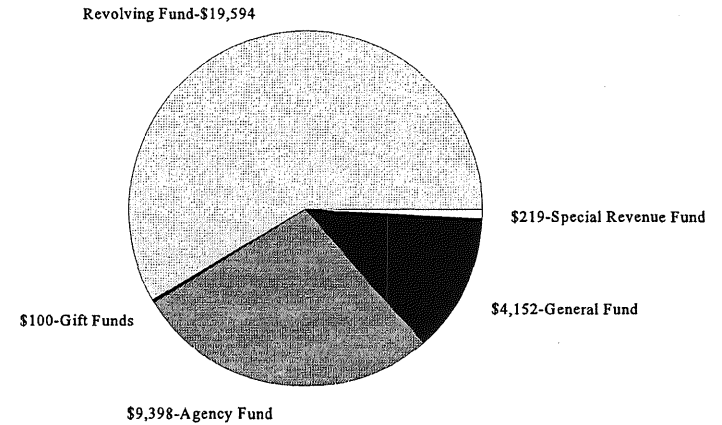
- Maintain long-term vehicle lease rates at least 30% below private sector pricing for comparable vehicles and services.
- Maintain pricing for printing jobs at least 5% below the average private sector price for comparable products and services.
- Generate savings to state and local government in excess 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.

FINANCING INFORMATION:

OMB's General Fund appropriation pays for oversight of state purchasing, central mail processing, and the activities of the Office of Citizenship and Volunteer Services and its partner, the Minnesota Alliance with Youth.

The majority of the bureau's revenues are generated through revolving funds where customers pay for products and services: vehicle leasing, property and casualty insurance, office supplies, printing, publications, etc.

F.Y. 1998 BUREAU EXPENDITURES BY FUND



(Figures in thousands)

GOVERNOR'S RECOMMENDATION:

The Governor recommends base level funding and a biennial increase of \$253,000 for increased costs of the General Fund activities of MailComm.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: OPERATIONS MANAGEMENT

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
MATERIALS MANAGEMENT	3,229	3,308	2,904	2,984	2,984	3,060	3,060	(168)	-2.7%
TRAVEL MANAGEMENT	0	188	111	111	111	111	111	(77)	-25.8%
COMMUNICATIONS MEDIA	10,844	9,946	9,823	11,592	11,712	11,603	11,736	3,679	18.6%
MN OFFICE CITZ & VOLUNTEER SVS	323	427	572	580	580	587	587	168	16.8%
Total Expenditures	14,396	13,869	13,410	15,267	15,387	15,361	15,494	3,602	13.2%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) MAILCOMM FUNDING	GEN			120	133
Total Change Items				120	133

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	4,073	4,152	3,952	4,061	4,181	4,155	4,288
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	9	219	135	135	135	135	135
AGENCY	10,298	9,398	9,250	11,000	11,000	11,000	11,000
GIFT	16	100	73	71	71	71	71
Total Financing	14,396	13,869	13,410	15,267	15,387	15,361	15,494

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	57.7	59.6	66.4	66.4	66.4	66.4	66.4
PART-TIME, SEASONAL, LABOR SER	1.1	1.6	0.0	0.0	0.0	0.0	0.0
OVERTIME PAY	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	59.1	61.5	66.4	66.4	66.4	66.4	66.4

2000-01 Biennial Budget

BUDGET ACTIVITY: Risk Management Division
PROGRAM: Operations Management
AGENCY: Administration, Department of (Admin)

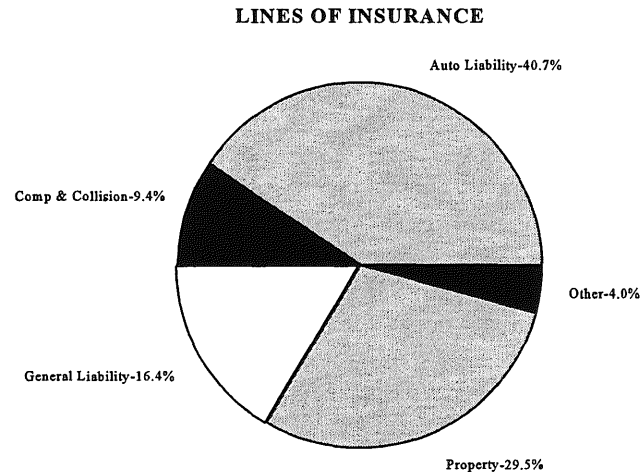
ACTIVITY PROFILE:

The Risk Management Division (RMD), operating under legislative authority of M.S. 16B.85, provides 3 major areas of service to state departments, agencies, boards, bureaus and commissions:

- Manage the Risk Management Fund (RMF), which operates as the state's internal insurance company providing property and casualty insurance coverage.
- Purchase commercial insurance to meet agencies' needs when the placement of the insurance may not be appropriate in the RMF.
- Provide risk and insurance management consulting services on a wide variety of issues.

STRATEGIES AND PERFORMANCE:

RMD is dedicated to controlling operating expenses to keep them below those of the commercial insurance industry. In addition, a dividend policy allows the return of funds with interest to agencies when the line of insurance has a positive balance. As of F.Y. 1999 the total dividends distributed exceeds \$2.4 million.

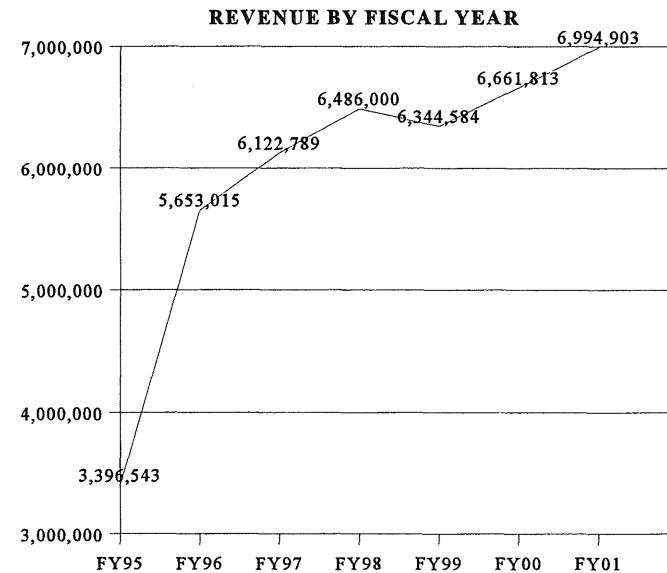


The division has an advisory committee made up of representatives from state agencies, private sector and academia.

FINANCING INFORMATION:

Funding is received from premiums charged to agencies for their risks that are underwritten by the RMF and from service charges assessed to premiums negotiated by the RMD on behalf of the agencies. The growth in revenue reflects increased agency participation in the property and general liability programs rather than actual "rate" increases.

No General Fund appropriations are required.



BUDGET ACTIVITY: Risk Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

2000-01 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Risk Management
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 410

* OPERATIONS DATA *

	ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001
OPERATING REVENUES:					
NET SALES	6,122.2	6,366.5	6,344.6	6,661.8	6,994.9
LESS: COST OF SALES					
GROSS PROFIT ON SALES	6,122.2	6,366.5	6,344.6	6,661.8	6,994.9
OTHER REVENUE					
NET REVENUES	6,122.2	6,366.5	6,344.6	6,661.8	6,994.9
LESS: OPERATING EXPENSES:					
CLAIMS	2,313.9	2,685.9	2,660.0	2,926.0	3,218.6
SALARIES	402.6	321.4	365.2	383.5	402.6
SUPPLIES & EXPENSES	2,190.4	1,820.3	2,046.5	2,251.1	2,476.2
INDIRECT COSTS	18.4	32.6	73.2	76.8	80.7
AMORTIZATION & DEPRECIATION	1.3	0.0	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	4,926.6	4,860.2	5,144.9	5,637.4	6,178.1
OPERATING INCOME (LOSS)	1,195.6	1,506.3	1,199.7	1,024.4	816.8
NON-OPERATING REVENUES (EXPENSES)	359.3	466.7	370.0	388.5	407.9
NET INCOME (LOSS)	1,554.9	1,973.0	1,569.7	1,412.9	1,224.7
BEGINNING RETAINED EARNINGS	542.6	2,191.2	2,812.2	4,032.1	5,077.7
PRIOR PERIOD ADJUSTMENT	93.7	(1,352.0)	(349.8)	(367.3)	(385.7)
ENDING RETAINED EARNINGS	2,191.2	2,812.2	4,032.1	5,077.7	5,916.7

FOOTNOTES TO STATEMENTS:

RATE INCREASE/(DECREASE): 8.30% -2.50% -7.40% 5.00% 5.00%

FIVE YEAR AVERAGE INCREASE/(DECREASE): 1.68%

* FINANCIAL DATA *

	ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
ASSETS:			
CURRENT ASSETS:			
CASH	7,527.1	9,290.6	9,755.2
OTHER CURRENT ASSETS	147.8	326.8	75.0
TOTAL CURRENT ASSETS	7,674.9	9,617.4	9,830.2
NON-CURRENT ASSETS:	0.0	0.0	0.0
TOTAL ASSETS	7,674.9	9,617.4	9,830.2
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	5,468.0	6,787.9	5,782.1
TOTAL CURRENT LIABILITIES	5,468.0	6,787.9	5,782.1
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	15.7	17.3	16.0
TOTAL NON-CURRENT LIABILITIES	15.7	17.3	16.0
TOTAL LIABILITIES	5,483.7	6,805.2	5,798.1
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0	0.0
RETAINED EARNINGS	2,191.2	2,812.2	4,032.1
TOTAL FUND EQUITY	2,191.2	2,812.2	4,032.1
TOTAL LIABILITIES & FUND EQUITY	7,674.9	9,617.4	9,830.2

2000-01 Biennial Budget

BUDGET ACTIVITY: Materials Management Division
PROGRAM: Operations Management
AGENCY: Administration, Department of

ACTIVITY PROFILE:

This program provides responsible material and service acquisition and property disposition through professional and timely services to Minnesota government through 4 major units: Acquisitions, Business Management, Customer and Vendor Services, and Stores and Surplus Services. The division has 81 staff, and facilitates and oversees more than \$1.2 billion in state government purchases each year.

Primary service activities include the following:

- Purchasing.
- Contracting.
- Vendor management—including recruitment, quality/performance management, certification of targeted group/economically disadvantaged (TG/ED) small businesses, client training and communications.
- Cooperative purchasing program for political subdivisions.
- Environmental stewardship.
- Procurement management through MAPS (the Minnesota Accounting and Procurement System).
- State and federal surplus property management.
- Central Stores, the state's office products retail distribution center (\$7 million annual revenue).
- Pharmaceutical purchasing consortium (\$250 million annually on behalf of 30 states).

STRATEGIES AND PERFORMANCE:

MMD ensures that procurement needs of state agencies are met in a timely and cost-efficient manner through the establishment of state contracts, direct purchases under central or delegated authority, and the review and approval of professional/technical and other service contracts. MMD further ensures that all state agency procurement meets the highest ethical standards, represents the best value to taxpayers, and demonstrates commitment to legislative policy priorities, including environmental stewardship and support for small businesses.

MMD sponsored a major legislative initiative in 1998 to reform the state procurement process. The new law (M.S. 16C) streamlines and modernizes state purchasing. Among the changes underway: expanded delegation of purchasing authority to trained individuals within agencies, purchase decisions based on an analysis of best value rather than low-bid, and an attempt to develop a market for Corrections Industries products without relying on a statutory monopoly.

The revolving fund activities of MMD (Central Stores, Surplus Services and Cooperative Purchasing) must continue to provide services that match or exceed their competitors in price, quality, delivery and convenience.

Key specific performance objectives include the following:

- Implement and administer the 1998 procurement reform legislation.
 - Train at least 95% of all persons requiring training for certification as authorized local procurement practitioners.
 - Encourage and recommend cost-competitive environmentally friendly products in at least 95% of all appropriate purchases.
 - Annually review 33% of all persons with delegated local purchase authority to audit purchasing practices and facilitate coaching.
- Implement and administer the results of the 1998 disparity study assessing Minnesota's TG/ED program.

FINANCING INFORMATION:

The General Fund appropriation covers costs associated with MMD's oversight of \$1.2 billion per year in state purchasing. Additional revenues are generated through revolving funds at Central Stores, Surplus Services and Cooperative Purchasing.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT
Activity: MATERIALS MANAGEMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,187	2,371	2,491	2,402	2,402	2,475	2,475	15	.3%
OPERATING EXPENSES	1,042	937	413	582	582	585	585	(183)	-13.6%
SUBTOTAL STATE OPERATIONS	3,229	3,308	2,904	2,984	2,984	3,060	3,060	(168)	-2.7%
Total Expenditures	3,229	3,308	2,904	2,984	2,984	3,060	3,060	(168)	-2.7%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	3,229	3,308	2,904	2,984	2,984	3,060	3,060		
Total Financing	3,229	3,308	2,904	2,984	2,984	3,060	3,060		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	18	17	0	0	0	0	0		
Total Revenues Collected	18	17	0	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	45.7	47.0	51.2	51.2	51.2	51.2	51.2		
PART-TIME, SEASONAL, LABOR SER	0.9	0.9	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	46.6	47.9	51.2	51.2	51.2	51.2	51.2		

BUDGET ACTIVITY: Materials Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

2000-01 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 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001		ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
OPERATING REVENUES:						ASSETS:			
NET SALES	7,346.8	6,954.0	7,871.5	8,107.6	8,350.9	CURRENT ASSETS:			
LESS: COST OF SALES	6,174.6	5,857.8	6,449.9	6,643.4	6,842.7	CASH	183.3	62.1	114.0
GROSS PROFIT ON SALES	1,172.2	1,096.2	1,421.6	1,464.2	1,508.2	OTHER CURRENT ASSETS	1,607.2	1,410.6	1,501.9
OTHER REVENUE	0.0	0.0	0.0			TOTAL CURRENT ASSETS	1,790.5	1,472.7	1,615.9
NET REVENUES	1,172.2	1,096.2	1,421.6	1,464.2	1,508.2	NON-CURRENT ASSETS:	11.9	23.2	21.6
LESS: OPERATING EXPENSES:						TOTAL ASSETS	1,802.4	1,495.9	1,637.5
SALARIES	564.9	614.1	603.3	621.4	640.0	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	378.3	496.2	528.2	544.0	560.4	LIABILITIES:			
INDIRECT COSTS	329.1	162.2	195.8	201.7	207.7	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	7.7	5.7	10.7	10.7	10.7	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	1,280.0	1,278.2	1,338.0	1,377.8	1,418.8	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	(107.8)	(182.0)	83.6	86.4	89.4	OTHER CURRENT LIABILITIES	667.9	537.7	594.5
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	667.9	537.7	594.5
NET INCOME (LOSS)	(107.8)	(182.0)	83.6	86.4	89.4	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	491.7	405.1	227.7	311.3	397.7	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	21.2	4.6	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
ENDING RETAINED EARNINGS	405.1	227.7	311.3	397.7	487.1	OTHER NON-CURRENT LIABILITIES	38.4	39.5	40.7
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	38.4	39.5	40.7
						TOTAL LIABILITIES	706.3	577.2	635.2
						FUND EQUITY:			
						CONTRIBUTED CAPITAL-GENERAL FUND	691.0	691.0	691.0
						RETAINED EARNINGS	405.1	227.7	311.3
						TOTAL FUND EQUITY	1,096.1	918.7	1,002.3
						TOTAL LIABILITIES & FUND EQUITY	1,802.4	1,495.9	1,637.5
RATE INCREASE/(DECREASE):	0.00%	0.00%	2.00%	0.00%	0.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE):	0.40%								

BUDGET ACTIVITY: Materials Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

2000-01 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Surplus Operations
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 941

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001		ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
OPERATING REVENUES:						ASSETS:			
NET SALES	816.7	691.7	750.0	772.5	795.0	CURRENT ASSETS:			
LESS: COST OF SALES	71.0	0.0	0.0	0.0	0.0	CASH	1,381.0	493.6	409.5
GROSS PROFIT ON SALES	745.7	691.7	750.0	772.5	795.0	OTHER CURRENT ASSETS	146.2	61.4	70.0
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	1,527.2	555.0	479.5
NET REVENUES	745.7	691.7	750.0	772.5	795.0	NON-CURRENT ASSETS:	182.6	202.3	187.7
LESS: OPERATING EXPENSES:						TOTAL ASSETS	1,709.8	757.3	667.2
SALARIES	367.9	387.7	400.0	412.0	424.4	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	408.4	368.0	388.9	350.0	360.5	LIABILITIES:			
INDIRECT COSTS	28.2	31.9	33.2	34.2	35.5	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	18.1	18.7	22.0	22.0	24.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	822.6	806.3	844.1	818.2	844.4	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	(76.9)	(114.6)	(94.1)	(45.7)	(49.4)	OTHER CURRENT LIABILITIES	905.3	66.7	70.0
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	905.3	66.7	70.0
NET INCOME (LOSS)	(76.9)	(114.6)	(94.1)	(45.7)	(49.4)	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	583.8	506.9	392.3	298.2	252.5	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	506.9	392.3	298.2	252.5	203.1	OTHER NON-CURRENT LIABILITIES	23.4	24.1	24.8
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	23.4	24.1	24.8
						TOTAL LIABILITIES	928.7	90.8	94.8
						FUND EQUITY:			
						CONTRIBUTED CAPITAL-GENERAL FUND	274.2	274.2	274.2
						RETAINED EARNINGS	506.9	392.3	298.2
						TOTAL FUND EQUITY	781.1	666.5	572.4
						TOTAL LIABILITIES & FUND EQUITY	1,709.8	757.3	667.2
RATE INCREASE/(DECREASE):	11.11%	0.00%	3.12%	0.00%	0.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE):	2.85%								
NOTE: Rates are charged on warehousing of other agencies materials which represent only 8% of total Sales.									

BUDGET ACTIVITY: Materials Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

2000-01 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Cooperative Purchasing
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 940

*** OPERATIONS DATA ***

*** FINANCIAL DATA ***

	ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001		ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
OPERATING REVENUES:						ASSETS:			
	840.9	760.0	775.2	790.7	806.5	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	853.5	1,239.4	1,017.1
						OTHER CURRENT ASSETS	269.2	46.0	7.6
GROSS PROFIT ON SALES	840.9	760.0	775.2	790.7	806.5	TOTAL CURRENT ASSETS	1,122.7	1,285.4	1,024.7
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	NON-CURRENT ASSETS:	5.4	7.1	5.8
NET REVENUES	840.9	760.0	775.2	790.7	806.5	TOTAL ASSETS	1,128.1	1,292.5	1,030.5
LESS: OPERATING EXPENSES:						LIABILITIES & FUND EQUITY:			
						LIABILITIES:			
SALARIES	427.6	472.2	627.0	645.8	665.2	CURRENT LIABILITIES:			
SUPPLIES & EXPENSES	295.2	332.6	400.5	412.5	424.9	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
INDIRECT COSTS	11.1	21.8	22.5	23.2	23.9	MASTER LEASE - CURRENT	0.0	0.0	0.0
AMORTIZATION & DEPRECIATION	0.1	1.2	1.2	1.2	1.2	OTHER CURRENT LIABILITIES	221.9	453.7	467.3
TOTAL OPERATING EXPENSES	734.0	827.8	1,051.2	1,082.7	1,115.2	TOTAL CURRENT LIABILITIES	221.9	453.7	467.3
OPERATING INCOME (LOSS)	106.9	(67.8)	(276.0)	(292.0)	(308.7)	NON-CURRENT LIABILITIES:			
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
NET INCOME (LOSS)	106.9	(67.8)	(276.0)	(292.0)	(308.7)	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
BEGINNING RETAINED EARNINGS	411.3	892.4	824.6	548.6	256.6	OTHER NON-CURRENT LIABILITIES	13.8	14.2	14.6
PRIOR PERIOD ADJUSTMENT	374.2	0.0	0.0	0.0	0.0	TOTAL NON-CURRENT LIABILITIES	13.8	14.2	14.6
ENDING RETAINED EARNINGS	892.4	824.6	548.6	256.6	(52.1)	TOTAL LIABILITIES	235.7	467.9	481.9
FOOTNOTES TO STATEMENTS:						FUND EQUITY:			
						CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0	0.0
						RETAINED EARNINGS	892.4	824.6	548.6
						TOTAL FUND EQUITY	892.4	824.6	548.6
						TOTAL LIABILITIES & FUND EQUITY	1,128.1	1,292.5	1,030.5
RATE INCREASE/(DECREASE):	0.00%	0.00%	0.00%	0.00%	0.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE):	0.00%								

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2000-01 Biennial Budget

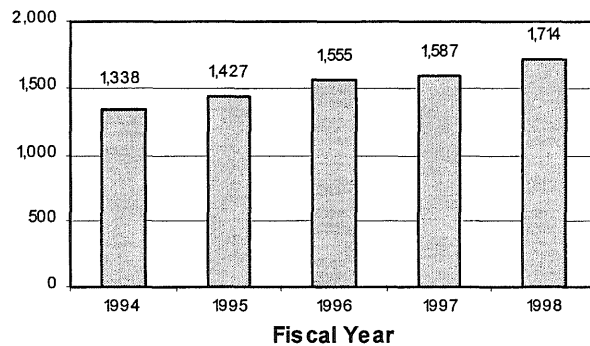
BUDGET ACTIVITY: Travel Management
PROGRAM: Operations Management
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

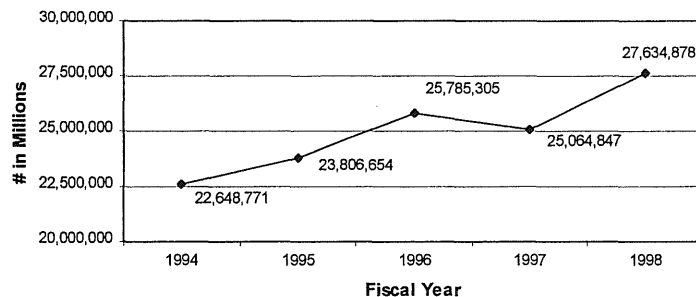
The Travel Management Division (TMD) provides 4 major areas of service to state government and other public sector customers:

- Daily vehicle rentals
- Long-term vehicle leases
- Commuter van program for state employees
- Travel consultation and liaison with contracted travel agencies

RENTAL AND LEASED VEHICLE FLEET



ANNUAL MOTOR POOL MILEAGE



STRATEGIES AND PERFORMANCE:

During F.Y. 1998, TMD was required to vacate its site of 21 years in order to provide space for the new state building that will house the Department of Revenue. This emergency relocation to a site farther from its state customer base (296 Chester Street, near Holman Air Field) increased operating costs and necessitated mid-year rate increases. Nonetheless, the division has been able to maintain rates that are substantially lower than private sector competitors. Long-term leases, which represent approximately 90% of the division's fleet, are still priced at least 30% below private sector alternatives.

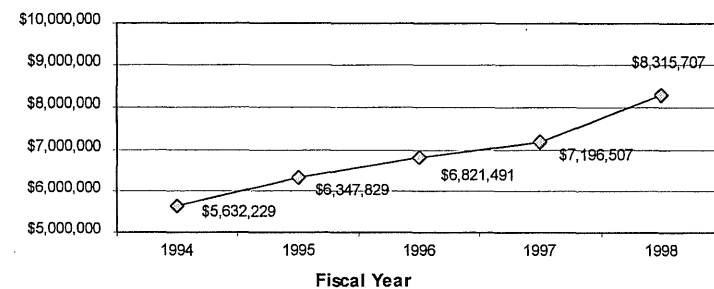
The relocation and changing customer expectations have raised a number of operational and customer service issues. The division is presently undergoing an extensive planning process with customers and staff to ensure that current and emerging customer needs are effectively met in the new location. The division is already providing a wider range of vehicles and service options and is marketing to a broader public sector clientele. These trends are expected to continue.

FINANCING INFORMATION:

As a revolving fund organization, TMD generates funding by charging government customers for services provided. The growth in revenue, illustrated below, reflects increased agency participation in TMD programs.

No General Fund appropriations are required.

ANNUAL REVENUE



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT
Activity: TRAVEL MANAGEMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	0	26	28	28	28	28	28	2	3.7%
OPERATING EXPENSES	0	162	83	83	83	83	83	(79)	-32.2%
SUBTOTAL STATE OPERATIONS	0	188	111	111	111	111	111	(77)	-25.8%
Total Expenditures	0	188	111	111	111	111	111	(77)	-25.8%
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	0	188	111	111	111	111	111		
Total Financing	0	188	111	111	111	111	111		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	0	137	120	120	120	120	120		
NONDEDICATED									
GENERAL	0	1	0	0	0	0	0		
Total Revenues Collected	0	138	120	120	120	120	120		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	0.0	0.6	0.5	0.5	0.5	0.5	0.5		
Total Full-Time Equivalent	0.0	0.6	0.5	0.5	0.5	0.5	0.5		

BUDGET ACTIVITY: Travel Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

2000-01 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 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001	ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
OPERATING REVENUES:						ASSETS:		
NET SALES	7,065.9	8,178.5	9,102.8	10,102.3	10,676.3	CURRENT ASSETS:		
LESS: COST OF SALES						CASH	873.6	641.2
						OTHER CURRENT ASSETS	1,260.8	1,163.2
GROSS PROFIT ON SALES	7,065.9	8,178.5	9,102.8	10,102.3	10,676.3			
OTHER REVENUE						TOTAL CURRENT ASSETS	2,134.4	1,804.4
NET REVENUES	7,065.9	8,178.5	9,102.8	10,102.3	10,676.3	NON-CURRENT ASSETS:	15,112.7	14,610.5
LESS: OPERATING EXPENSES:						TOTAL ASSETS	17,247.1	16,414.9
SALARIES	726.2	778.2	829.1	915.7	1,036.9	LIABILITIES & FUND EQUITY:		
SUPPLIES & EXPENSES	2,948.3	2,814.6	4,022.8	4,317.7	4,522.7	LIABILITIES:		
INDIRECT COSTS	244.9	231.3	238.4	245.5	253.0	CURRENT LIABILITIES:		
AMORTIZATION & DEPRECIATION	3,588.0	4,140.3	3,933.8	4,838.6	5,080.5	DUE GENERAL FUND - CURRENT	2,464.5	680.0
TOTAL OPERATING EXPENSES	7,507.4	7,964.4	9,024.1	10,317.5	10,893.1	MASTER LEASE - CURRENT	5,330.6	6,150.0
OPERATING INCOME (LOSS)	(441.5)	214.1	78.7	(215.2)	(216.8)	OTHER CURRENT LIABILITIES	1,079.2	1,141.8
NON-OPERATING REVENUES (EXPENSES)	229.1	45.5	393.5	343.0	328.3	TOTAL CURRENT LIABILITIES	8,874.3	7,971.8
NET INCOME (LOSS)	(212.4)	259.6	472.2	127.8	111.5	NON-CURRENT LIABILITIES:		
BEGINNING RETAINED EARNINGS	1,266.4	857.5	1,117.1	1,589.3	1,717.1	DUE GENERAL FUND - NON-CURRENT	0.0	0.0
PRIOR PERIOD ADJUSTMENT	(196.5)	0.0	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	6,989.3	6,800.0
ENDING RETAINED EARNINGS	857.5	1,117.1	1,589.3	1,717.1	1,828.6	OTHER NON-CURRENT LIABILITIES	24.0	24.0
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	7,013.3	6,824.0
						TOTAL LIABILITIES	15,887.6	14,795.8
						FUND EQUITY:		
						CONTRIBUTED CAPITAL-GENERAL FUND	502.0	502.0
						RETAINED EARNINGS	857.5	1,117.1
						TOTAL FUND EQUITY	1,359.5	1,619.1
						TOTAL LIABILITIES & FUND EQUITY	17,247.1	16,414.9
RATE INCREASE/(DECREASE):	-2.59%	9.70%	-0.12%	4.97%	4.90%			
FIVE YEAR AVERAGE INCREASE/(DECREASE):	3.37%							

2000-01 Biennial Budget

BUDGET ACTIVITY: Communications.Media
PROGRAM: Operations Management
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

The division employs approximately 100 staff and provides key services to customers through 4 major units of PrintComm, ReComm, MailComm, and DocuComm.

PrintComm

PrintComm provides a variety of cost-effective graphic services utilizing innovative technology and personalized customer service to Minnesota government.

Services include convenient "quick copying," networked digital printing, color copying, high-end film output, design services, file manipulation, offset printing, finishing, mailing and delivery. Production operations run 24 hours daily during the week, with customer service accessible from 7 a.m. until 7 p.m. weekdays.

Agencies are assigned a service representative who acts as a liaison between agencies and production, producing job plans while determining and communicating customer expectations and providing quotations. Value-added services include no-cost training programs for agency customers and expert advice on environmentally sound printing options.

State agency customers are not required to send their printing business to PrintComm. Therefore, attention to timeliness, quality, customer service and competitive pricing is paramount for the ongoing success of the business.

ReComm—Minnesota's Bookstore

This activity provides 3 services to the general public and state agencies:

- Minnesota's Bookstore operates as a centralized publishing house (revolving fund) for state agency-produced products sold to the public. Minnesota's Bookstore provides mail and telephone ordering services to a national customer base and also serves walk-in customers through its retail operation in the Ford Building near the State Capitol.

- Mailing List Service operates a centralized production and distribution outlet for the sale of selected state licensing data to the public.
- Minnesota's Bookstore publishes the *State Register* (revolving fund), the official weekly publication for the State of Minnesota. The Monday edition of the *State Register* contains rulemaking activity, official notices, executive orders of the governor, requests for proposals and commissioners' orders. The *State Register Contracts Supplement*, published on Tuesdays, Wednesdays and Fridays, contains contract and bid information. Although subscription fees are charged for printed copies of both publications, electronic versions of both are available free through the division's Internet web site (www.comm.media.state.mn.us).

MailComm

MailComm provides a mailing service (General Fund) including metering and processing of outgoing federal mail, as well as consultation for agencies on cost-saving postal programs. This unit provides inter-office services to all state agencies within the boundaries of St. Paul and has the responsibility for distributing the federal mail for the Capitol Complex.

MailComm also provides addressing, inserting, pre-sorting and bulk mail service (revolving fund) resulting in reduced postage costs to state agencies. During F.Y. 1999, Mail Comm will begin providing in-house bar coding of first class and standard mail to state agencies that will generate additional savings on already discounted mail.

DocuComm

DocuComm provides document management services (revolving fund) to state and local government. These services include conversion of documents to microfilm or compact disk, systems consulting and secure warehouse storage of files or electronic back-ups.

Over the past 3 years, efforts have been undertaken to improve the business picture for DocuComm. New services, including computer output microfilm and scanning paper to compact disk, have been offered. The unit's financial picture is now improving, and it has been able to completely cover its costs in F.Y. 1997 and 1998.

STRATEGIES AND PERFORMANCE:

State agencies are not required to utilize state operations for printing, addressing,

2000-01 Biennial Budget

BUDGET ACTIVITY: Communications.Media
PROGRAM: Operations Management
AGENCY: Administration, Department of
(Continuation)

inserting and records management. Consequently, the division places great emphasis on customer service, timeliness, quality and competitive pricing.

The concept of having government operations, specifically centralized services, operate more like a business is appropriate for the activities of the Communications.Media Division. However, the challenge is running an efficient, competitive business within the requirements and constraints of state government.

Technology continues to have a major impact on all aspects of this program. Information technology advances, digital processing of information, computer networking and electronic access to government information continues to impact all aspects of this program. Strategies to incorporate technology advances must include careful evaluation of customer needs, investment costs, and employee training.

Measurable objectives for the division include the following:

- Maintaining printing prices that are at least 5% below private sector pricing averages.
- Producing at least 90% of printing work on paper with a 10% minimum of post-consumer waste.
- Processing at least 95% of first-class mail within 24 hours.
- Maintaining document conversion products and services at prices that are at least 5% below private sector pricing averages.

FINANCING INFORMATION:

Virtually all funding for the Communications.Media Division comes from the products and services it sells to customers. Minnesota's Bookstore is an enterprise fund, while DocuComm, MailComm and PrintComm are internal service funds.

The only general fund appropriations in F.Y. 1999 are \$529,000 to operate the mail delivery portion of MailComm and a \$44,000 to place the *State Register*, *State*

Register Contracts Supplement and the *Minnesota Guidebook to State Agency Services* on line.

The following is a brief breakout of revenue sources for the 4 units within the division:

PrintComm—Annual revenue of approximately \$5.5 million (revenue generated from state agencies and local units of government).

ReComm (Minnesota's Bookstore)—Annual revenue of approximately \$350,000 for the *State Register* (revenue generated from state agencies publishing material as well as subscribers) with an additional revenue of approximately \$2 million for Minnesota's Bookstore and the Mailing List Service (most revenue generated from the general public).

MailComm—Annual revenue of approximately \$560,000 (revenue generated from state agencies for addressing, inserting and bar coding).

DocuComm—Annual revenue of approximately \$1.6 million (revenue generated from state agencies).

BUDGET ISSUES:

MailComm

The current level of MailComm services cannot be maintained at the current level of appropriation.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT
Activity: COMMUNICATIONS.MEDIA

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	338	323	347	278	368	289	379	77	11.5%
OPERATING EXPENSES	10,506	9,623	9,476	11,314	11,344	11,314	11,357	3,602	18.9%
SUBTOTAL STATE OPERATIONS	10,844	9,946	9,823	11,592	11,712	11,603	11,736	3,679	18.6%
Total Expenditures	10,844	9,946	9,823	11,592	11,712	11,603	11,736	3,679	18.6%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) MAILCOMM FUNDING	GEN				120		133		
Total Change Items					120		133		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	546	548	573	592	712	603	736		
STATUTORY APPROPRIATIONS:									
AGENCY	10,298	9,398	9,250	11,000	11,000	11,000	11,000		
Total Financing	10,844	9,946	9,823	11,592	11,712	11,603	11,736		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
AGENCY	9,993	9,844	9,250	11,000	11,000	11,000	11,000		
NONDEDICATED									
GENERAL	156	87	0	0	0	0	0		
Total Revenues Collected	10,149	9,931	9,250	11,000	11,000	11,000	11,000		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT
Activity: COMMUNICATIONS.MEDIA

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	8.7	7.9	8.7	8.7	8.7	8.7	8.7
PART-TIME, SEASONAL, LABOR SER	0.0	0.2	0.0	0.0	0.0	0.0	0.0
OVERTIME PAY	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	9.0	8.4	8.7	8.7	8.7	8.7	8.7

BUDGET ACTIVITY: Communications Media
PROGRAM: Operations Management
AGENCY: Administration, Department of

2000-01 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: PrintComm
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 920

*** OPERATIONS DATA ***

*** FINANCIAL DATA ***

	ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001		ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
OPERATING REVENUES:						ASSETS:			
NET SALES	4,993.5	5,770.2	6,318.4	6,539.5	6,768.3	CURRENT ASSETS:			
LESS: COST OF SALES	4,028.2	4,623.7	5,459.8	5,624.0	5,820.7	CASH	1,072.4	1,261.0	947.2
GROSS PROFIT ON SALES	965.3	1,146.5	858.6	915.5	947.6	OTHER CURRENT ASSETS	941.7	982.4	1,000.6
OTHER REVENUE						TOTAL CURRENT ASSETS	2,014.1	2,243.4	1,947.8
NET REVENUES	965.3	1,146.5	858.6	915.5	947.6	NON-CURRENT ASSETS:	435.7	347.4	646.8
LESS: OPERATING EXPENSES:						TOTAL ASSETS	2,449.8	2,590.8	2,594.6
SALARIES	413.7	502.3	333.8	347.2	361.1	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	296.7	263.9	161.1	169.2	177.7	LIABILITIES:			
INDIRECT COSTS	180.0	173.1	178.2	187.1	196.5	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	9.6	11.9	207.8	200.0	200.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	900.0	951.2	880.9	903.5	935.3	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	65.3	195.3	(22.3)	12.0	12.3	OTHER CURRENT LIABILITIES	443.1	365.3	373.4
NON-OPERATING REVENUES (EXPENSES)	(0.9)	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	443.1	365.3	373.4
NET INCOME (LOSS)	64.4	195.3	(22.3)	12.0	12.3	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	494.1	558.5	762.9	740.6	752.6	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	9.1	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
ENDING RETAINED EARNINGS	558.5	762.9	740.6	752.6	764.9	OTHER NON-CURRENT LIABILITIES	83.2	97.6	115.6
						TOTAL NON-CURRENT LIABILITIES	83.2	97.6	115.6
						TOTAL LIABILITIES	526.3	462.9	489.0
						FUND EQUITY:			
FOOTNOTES TO STATEMENTS:						CONTRIBUTED CAPITAL-GENERAL FUND	1,365.0	1,365.0	1,365.0
						RETAINED EARNINGS	558.5	762.9	740.6
						TOTAL FUND EQUITY	1,923.5	2,127.9	2,105.6
						TOTAL LIABILITIES & FUND EQUITY	2,449.8	2,590.8	2,594.6
RATE INCREASE/(DECREASE):	0.80%	0.00%	1.60%	3.50%	3.50%				
FIVE YEAR AVERAGE INCREASE/(DECREASE):	1.88%								

BUDGET ACTIVITY: Communications Media
PROGRAM: Operations Management
AGENCY: Administration, Department of

2000-01 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Retail and Editorial Communications (ReComm)
TYPE OF FUND: Enterprise Fund
FUND NUMBER: 840

*** OPERATIONS DATA ***

*** FINANCIAL DATA ***

	ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001		ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
OPERATING REVENUES:						ASSETS:			
NET SALES	2,075.5	2,243.4	2,270.5	2,384.0	2,503.2	CURRENT ASSETS:			
LESS: COST OF SALES	767.9	813.7	747.7	804.3	843.6	CASH	831.9	903.1	948.2
GROSS PROFIT ON SALES	1,307.6	1,429.7	1,522.8	1,579.7	1,659.6	OTHER CURRENT ASSETS	678.3	722.6	767.3
OTHER REVENUE						TOTAL CURRENT ASSETS	1,510.2	1,625.7	1,715.5
NET REVENUES	1,307.6	1,429.7	1,522.8	1,579.7	1,659.6	NON-CURRENT ASSETS:	100.7	116.6	114.2
LESS: OPERATING EXPENSES:						TOTAL ASSETS	1,610.9	1,742.3	1,829.7
SALARIES	777.4	697.6	752.7	790.3	829.8	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	495.5	544.0	568.9	586.0	603.5	LIABILITIES:			
INDIRECT COSTS	78.6	89.2	93.3	96.0	98.8	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	21.4	42.4	40.0	38.0	35.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	1,372.9	1,373.2	1,454.9	1,510.3	1,567.1	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	(65.3)	56.5	67.9	69.4	92.5	OTHER CURRENT LIABILITIES	324.6	398.0	415.0
NON-OPERATING REVENUES (EXPENSES)	(38.3)	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	324.6	398.0	415.0
NET INCOME (LOSS)	(103.6)	56.5	67.9	69.4	92.5	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	840.4	742.8	799.3	867.2	936.6	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	6.0	0.0	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
ENDING RETAINED EARNINGS	742.8	799.3	867.2	936.6	1,029.1	OTHER NON-CURRENT LIABILITIES	48.6	50.0	52.5
						TOTAL NON-CURRENT LIABILITIES	48.6	50.0	52.5
						TOTAL LIABILITIES	373.2	448.0	467.5
						FUND EQUITY:			
						CONTRIBUTED CAPITAL-GENERAL FUND	495.0	495.0	495.0
						RETAINED EARNINGS	742.8	799.3	867.2
						TOTAL FUND EQUITY	1,237.8	1,294.3	1,362.2
						TOTAL LIABILITIES & FUND EQUITY	1,610.9	1,742.3	1,829.7
FOOTNOTES TO STATEMENTS:									
Statements include both the Bookstore and the State Register.									
Rate change percentages are for the State Register only.									
RATE INCREASE/(DECREASE):	0.00%	0.00%	22.50%	4.00%	4.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE):	6.10%								

BUDGET ACTIVITY: Communications Media
PROGRAM: Operations Management
AGENCY: Administration, Department of

2000-01 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: DocuComm
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 870

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001		ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
OPERATING REVENUES:						ASSETS:			
NET SALES	1,139.2	1,360.3	1,610.1	1,658.4	1,708.1	CURRENT ASSETS:			
LESS: COST OF SALES	61.8	152.8	170.9	175.8	181.1	CASH	84.4	126.7	211.8
GROSS PROFIT ON SALES	1,077.4	1,207.5	1,439.2	1,482.6	1,527.0	OTHER CURRENT ASSETS	195.6	222.3	232.3
OTHER REVENUE						TOTAL CURRENT ASSETS	280.0	349.0	444.1
NET REVENUES	1,077.4	1,207.5	1,439.2	1,482.6	1,527.0	NON-CURRENT ASSETS:	24.1	190.1	213.6
LESS: OPERATING EXPENSES:						TOTAL ASSETS	304.1	539.1	657.7
SALARIES	634.1	696.4	716.3	745.0	774.7	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	374.4	418.6	508.1	528.4	549.5	LIABILITIES:			
INDIRECT COSTS	55.2	29.7	37.3	39.1	41.0	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	10.8	36.0	51.7	50.0	48.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	1,074.5	1,180.6	1,313.4	1,362.5	1,413.2	MASTER LEASE - CURRENT	1.8	40.0	40.0
OPERATING INCOME (LOSS)	2.9	26.9	125.8	120.1	113.8	OTHER CURRENT LIABILITIES	179.0	214.0	248.7
NON-OPERATING REVENUES (EXPENSES)	1.2	0.5	(4.8)	0.5	0.5	TOTAL CURRENT LIABILITIES	180.8	254.0	288.7
NET INCOME (LOSS)	4.1	27.4	121.0	120.6	114.3	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	(162.1)	(158.0)	(129.0)	(8.0)	112.6	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	1.6	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	15.8	153.0	113.0
ENDING RETAINED EARNINGS	(158.0)	(129.0)	(8.0)	112.6	226.9	OTHER NON-CURRENT LIABILITIES	20.5	16.1	19.0
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	36.3	169.1	132.0
						TOTAL LIABILITIES	217.1	423.1	420.7
						FUND EQUITY:			
						CONTRIBUTED CAPITAL-GENERAL FUND	245.0	245.0	245.0
						RETAINED EARNINGS	(158.0)	(129.0)	(8.0)
						TOTAL FUND EQUITY	87.0	116.0	237.0
						TOTAL LIABILITIES & FUND EQUITY	304.1	539.1	657.7
RATE INCREASE/(DECREASE):	2.98%	3.01%	2.10%	5.00%	5.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE):	3.62%								

BUDGET ACTIVITY: Communications Media
PROGRAM: Operations Management
AGENCY: Administration, Department of

2000-01 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: MailComm
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 980

*** OPERATIONS DATA ***

*** FINANCIAL DATA ***

	ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001		ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
OPERATING REVENUES:						ASSETS:			
NET SALES	332.9	343.3	558.2	575.0	592.0	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	149.2	164.3	163.4
GROSS PROFIT ON SALES	332.9	343.3	558.2	575.0	592.0	OTHER CURRENT ASSETS	60.8	44.0	94.9
OTHER REVENUE						TOTAL CURRENT ASSETS	210.0	208.3	258.3
NET REVENUES	332.9	343.3	558.2	575.0	592.0	NON-CURRENT ASSETS:	3.3	2.5	207.0
LESS: OPERATING EXPENSES:						TOTAL ASSETS	213.3	210.8	465.3
SALARIES	221.3	244.4	312.4	324.9	337.9	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	67.1	92.9	148.4	158.2	166.2	LIABILITIES:			
INDIRECT COSTS	21.0	13.8	16.3	14.7	15.4	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	3.6	0.8	65.5	64.0	64.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	313.0	351.9	542.6	561.8	583.5	MASTER LEASE - CURRENT	0.0	0.0	50.0
OPERATING INCOME (LOSS)	19.9	(8.6)	15.6	13.2	8.5	OTHER CURRENT LIABILITIES	35.6	40.6	43.0
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	(14.5)	(12.0)	(9.0)	TOTAL CURRENT LIABILITIES	35.6	40.6	93.0
NET INCOME (LOSS)	19.9	(8.6)	1.1	1.2	(0.5)	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	74.6	94.5	86.1	87.2	88.4	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.2	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	0.0	0.0	200.0
ENDING RETAINED EARNINGS	94.5	86.1	87.2	88.4	87.9	OTHER NON-CURRENT LIABILITIES	15.9	16.9	17.9
						TOTAL NON-CURRENT LIABILITIES	15.9	16.9	217.9
						TOTAL LIABILITIES	51.5	57.5	310.9
						FUND EQUITY:			
FOOTNOTES TO STATEMENTS:						CONTRIBUTED CAPITAL-GENERAL FUND	67.2	67.2	67.2
						RETAINED EARNINGS	94.5	86.1	87.2
						TOTAL FUND EQUITY	161.8	153.3	154.4
						TOTAL LIABILITIES & FUND EQUITY	213.3	210.8	465.3
RATE INCREASE/(DECREASE):	3.50%	4.00%	2.40%	4.00%	4.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE):	3.58%								

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Administration, Department of (Admin)
PROGRAM: Operations Management
ACTIVITY: Communications.Media

ITEM TITLE: MailComm Funding

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$120	\$133	\$133	\$133
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that MailComm's General Fund budget be increased by \$120,000 in F.Y. 2000 and \$133,000 in F.Y. 2001 to cover increased delivery and salary costs.

RATIONALE:

The department has faced a General Fund shortfall in this program for many years. General Fund increases for MailComm have not kept pace with increased delivery and salary expenses. The anticipated General Fund shortfall is \$120,000 for F.Y. 2000 and \$133,000 for F.Y. 2001.

Without sufficient funding, the department will be forced to either cut back pick-up and delivery points for mail within state agencies or establish a rate for mail pick-up and delivery.

FINANCING:

The funding will be used for increased delivery and salary expenses. The number of staff members in this program has not increased for many years; however, the General Fund salary supplement has not been sufficient to cover the increases. During the past 8 years, delivery costs have increased 3% to 32% annually. This is due, in part, to a significantly larger number of buildings visited on a daily basis-MailComm now delivers mail to more than 55 buildings, compared to 35 buildings 8 years ago.

OUTCOMES:

The outcome of this initiative will be that mail pick-up and delivery will continue to be provided by the department in the same manner that is presently available.

2000-01 Biennial Budget

BUDGET ACTIVITY: Minnesota Office of Citizenship & Volunteer Services
PROGRAM: Operations Management
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

The Minnesota Office of Citizenship and Volunteer Services (MOCVS) is a resource center and an information clearinghouse for anyone managing volunteers or working with citizen initiatives. The mission of MOCVS is to promote citizen participation efforts, increase the impact of volunteer programs, and stimulate public/private partnerships in Minnesota.

MOCVS houses and acts as the fiscal agent of the *Minnesota Alliance with Youth*. The mission of the *Alliance* is to develop the capacity of Minnesota communities to engage children and youth in reaching their full potential as citizens. The *Alliance* is a network of youth and adult stakeholders working to create active citizen leaders among the state's youth by equipping them with critical resources such as caring adult mentors, safe environments, and opportunities for community service.

A strong volunteer community brings efficiency and effectiveness to state government through the resources, perspective, and service of volunteers and citizen leaders both within state and local government, and throughout communities, solving problems through citizen action rather than government intervention.

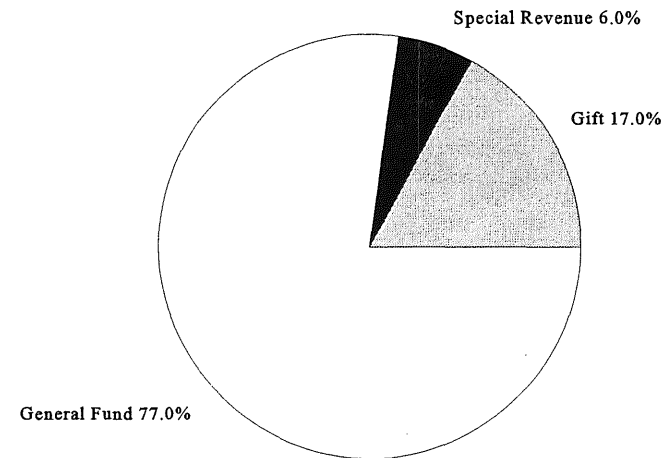
STRATEGIES AND PERFORMANCE:

- **Leadership**—acting on issues that affect volunteerism in Minnesota and building the capacity of citizens to solve problems affecting their communities: convening community meetings or other events to share best practices and identify critical issues and trends, conducting research, and publishing reports.
- **Promotion**—bringing visibility and public recognition to the accomplishments of volunteerism and citizen initiatives in Minnesota through events, public speaking, publications and media features.
- **Support**—strengthening the effectiveness of volunteer programs and citizen initiatives in Minnesota by providing technical assistance, training and resource materials on volunteerism and citizen participation that help individuals and organizations to achieve their goals.

FINANCING INFORMATION:

MOCVS and the *Alliance* request base funding at the level budgeted for F.Y. 1999. In addition, MOCVS will generate dedicated revenue of \$42,000 in F.Y. 2000 and \$45,000 in F.Y. 2001 through memberships, book and product sales, and service. The *Minnesota Alliance with Youth* will generate dedicated revenue of \$32,000 in F.Y. 2000 and \$37,000 in F.Y. 2001 through registrations for its annual summit.

MOCVS F.Y. 1998-99 FINANCING BY FUND



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: OPERATIONS MANAGEMENT

Activity: MN OFFICE CITZ & VOLUNTEER SVS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	168	218	274	290	290	298	298	96	19.5%
OPERATING EXPENSES	155	208	298	290	290	289	289	73	14.4%
SUBTOTAL STATE OPERATIONS	323	426	572	580	580	587	587	169	16.9%
LOCAL ASSISTANCE	0	1	0	0	0	0	0	(1)	-100.0%
Total Expenditures	323	427	572	580	580	587	587	168	16.8%

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	298	296	475	485	485	492	492
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	9	31	24	24	24	24	24
GIFT	16	100	73	71	71	71	71
Total Financing	323	427	572	580	580	587	587

<u>REVENUE COLLECTED:</u>							
DEDICATED							
SPECIAL REVENUE	30	34	24	24	24	24	24
GIFT	13	81	73	71	71	71	71
Total Revenues Collected	43	115	97	95	95	95	95

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	3.3	4.1	6.0	6.0	6.0	6.0	6.0
PART-TIME, SEASONAL, LABOR SER	0.2	0.5	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	3.5	4.6	6.0	6.0	6.0	6.0	6.0

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2000-01 Biennial Budget

PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of (Admin)

PROGRAM PROFILE:

The responsibilities of the InterTechnologies Group (InterTech) are described in M. S., Chapter 16B, as follows:

- Integrating and operating the state's computer facilities to serve the needs of state government.
- Supervising and controlling all state telecommunication facilities.
- Planning, developing and operating a state information infrastructure to provide cost-effective telecommunications transmission services to infrastructure users.
- Encouraging the effective, efficient use and exchange of information among state and local governmental agencies.
- Providing technical assistance to cities and counties as they implement, maintain and improve 9-1-1 emergency telephone systems.

Public sector entities use a broad range of data processing and telecommunications services (voice, data and video), many of which are supplied by InterTech. InterTech also manages 9-1-1 emergency telephone service, provides statewide Year 2000 Project leadership, and promotes state and local government technology coordination.

InterTech's services address such issues as:

- Automating new and existing business processes of state agencies to improve government efficiency.
- Providing citizens with reliable electronic access to public information and services.
- Leveraging the state's purchasing power to buy commonly used, generic services in quantity.
- Leveraging federal funding received by some agencies to support the operation of their programs.

InterTech's customers are primarily from the public sector: state agencies, the legislature, K-12 education, higher education, cities, counties, the courts and libraries.

Although these services are available from the private sector or could be developed by individual state agencies, InterTech provides high-quality services at a lower cost. When the similar needs of multiple agencies are combined, resources are shared, contracts are negotiated on behalf of the entire service community, and cost savings are realized.

InterTech also adds value to the services it delivers by supplying competitive alternatives to customer needs, accommodating federal requirements for customer programs, ensuring stringent security measures, and leading disaster recovery planning activities.

STRATEGIES AND PERFORMANCE:

InterTech is primarily a direct service provider. Service rates, or fees, are reviewed and set annually, with the assistance of customers and the Department of Finance. Agencies reimburse the InterTech revolving fund for the services they receive, and InterTech pays for its costs from revolving fund reimbursements. InterTech actively pursues strategies to competitively provide computer and telecommunications services, understanding that state agencies may pursue other service options.

The following 18-month objectives are delineated in InterTech's most recent strategic plan, dated September 1997:

- Install measurement practices.
- Define infrastructure to support current services and identify new services.
- Establish and manage communication mechanisms.
- Create single view of InterTech.
- Develop a work force plan for InterTech.
- Build an integrated organizational culture.
- Measure continuous availability of services.
- Establish leadership position in security.
- Keep Year 2000 visible.

FINANCING INFORMATION:

Over 95% of InterTech's funding is obtained through revolving fund activity.

The 9-1-1 emergency telephone program is supported through a special revenue fund from fees collected from Minnesotans' telephone bills. Funds are deposited into the special account for the administration of 9-1-1.

2000-01 Biennial Budget

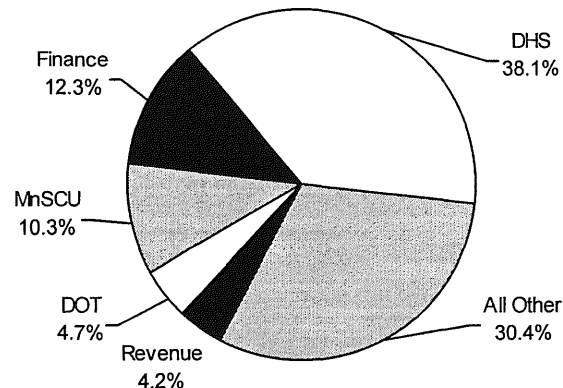
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of (Admin)
 (Continuation)

The Year 2000 Project and the Intergovernmental Information Systems Advisory Council receive General Fund appropriations.

PROGRAM: InterTechnologies Group					
AGENCY: Administration, Department of					
FY2000-2001 Revolving Fund Revenue Summary					
	FY97 Actual	FY98 Estimated	FY99 Budget	FY2000 Projected	FY2001 Projected
Computer Svc	\$34,529,029	\$37,977,841	\$32,418,206	\$35,086,963	\$36,123,371
Telecom	<u>28,848,402</u>	<u>32,633,575</u>	<u>35,832,840</u>	<u>37,907,825</u>	<u>39,045,060</u>
InterTech Group	\$63,377,431	\$70,611,416	\$68,251,046	\$72,994,788	\$75,168,431

INTERTECH REVOLVING FUND

F.Y. 1998 Customer Base



BUDGET ISSUES:

As InterTech strives to satisfy customers' business requirements for technology, some of the more pressing issues in the next biennium will be as follows:

- The Year 2000 Project.
- Electronic Government Services/electronic commerce.
- Continued, cooperative development of the telecommunications infrastructure, including the Connecting Minnesota Project and the state/county collaboration effort.
- Transition to new technology in the computer center; specifically, new central processing units (mainframe computers).
- Rapid growth in agencies' requirements for data and video services; in turn, this will result in an increasingly complex network infrastructure.
- Management of revolving fund services demands acute sensitivity to the business needs of customers, and the impacts of budget and technology challenges on rates.

These projects and others were considered in the development of rate forecasts for the biennium. InterTech projects an overall rate reduction of 2% in F.Y. 2000. In F.Y. 2001, aggregate rates are expected to remain level. It must be noted, however, that because customers' volumes are projected to increase, the overall cost to agencies may also increase.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base level funding and the following increase from the General Fund: \$2,200,000 in F.Y. 2001 for the Connecting Minnesota Initiative; \$4,435,000 in the biennium for 3 Electronic Government Services Initiatives in preparation for secure electronic commerce; \$2,500,000 in F.Y. 2000 as a contingency in the event of Year 2000 problems. Additionally, the Governor recommends additional spending authority from the State Government Special Revenue Fund of \$465,000 in F.Y. 1999, \$648,000 in F.Y. 2000 and \$724,000 in F.Y. 2001 for 911 Emergency Services activities.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: INTERTECHNOLOGIES GROUP

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
COMPUTER SERVICES	0	148	175	177	2,932	178	1,858	4,467	1,383.0%
TECHNOLOGY MANAGEMENT	3,530	12,984	17,670	1,740	4,240	1,865	4,065	(22,349)	-72.9%
911 EMERGENCY SERVICES	7,330	9,162	17,712	11,057	11,705	11,043	11,767	(3,402)	-12.7%
INTERGOV INFO SYSTEMS ADV CNCL	566	319	653	0	0	0	0	(972)	-100.0%
Total Expenditures	11,426	22,613	36,210	12,974	18,877	13,086	17,690	(22,256)	-37.8%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) CONNECTING MINNESOTA NETWORK INITIATIVE	GEN				2,200
(B) ELECTRONIC GOV'T SERV DIRECTORY SERVICES	GEN			725	450
(B) ELECTRONIC GOV'T SERV SECURITY INFO TEC	GEN			1,030	830
(B) ELECTRONIC GOV'T SERV SECURITY INFRASTRU	GEN			1,000	400
(B) METRO RADIO BOARD F.Y. 1999 SUPPLEMENT	SGS		465	648	724
(B) YEAR 2000 CONTINGENCY FUND	GEN			2,500	
Total Change Items			465	5,903	4,604

<u>FINANCING BY FUND:</u>							
CARRY FORWARD:							
STATE GOVERNMENT SPECIAL REVENUE	395	77	6,370	0	0	0	0
DIRECT APPROPRIATIONS:							
GENERAL	4,066	13,420	18,481	1,917	7,172	2,043	5,923
STATE GOVERNMENT SPECIAL REVENUE	6,935	9,085	11,342	11,057	11,705	11,043	11,767
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	30	31	17	0	0	0	0
Total Financing	11,426	22,613	36,210	12,974	18,877	13,086	17,690

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: INTERTECHNOLOGIES GROUP

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	38.2	24.9	26.0	23.0	26.0	23.0	26.0
PART-TIME, SEASONAL, LABOR SER	1.0	0.2	0.0	0.0	0.5	0.0	0.5
Total Full-Time Equivalent	39.2	25.1	26.0	23.0	26.5	23.0	26.5

2000-01 Biennial Budget

BUDGET ACTIVITY: Computer Services
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

Data processing services used by public sector agencies and supplied by Computer Services include: data processing and storage, business continuation, data security, electronic mail, data entry, computer-output-to-microfilm, and others.

Computer services is a primary service provider for each of these agencies applications:

Department of Human Services: Applications include the Child Support System and MAXIS, the eligibility determination system for AFDC, food stamps, Medicaid and other social service programs in all 87 Minnesota counties.

Departments of Finance and Employee Relations: The statewide procurement/accounting system (MAPS) and human resources/payroll system (SEMA4).

Department of Revenue: Minnesotans' income tax returns and refund checks, state sales tax and property tax records and processing.

Department of Public Safety: The Criminal Justice Information System (which is used by state, city, county and municipal police departments and sheriffs, correctional institutions, Department of Natural Resources and others), with ties to the FBI and other national law enforcement systems.

Department of Transportation: Computer assisted design (CAD) applications, and the department's PROFS electronic mail system.

STRATEGIES AND PERFORMANCE:

Computer Services is a direct provider of service. The primary goal is to be the provider of choice by offering high quality services, continuous availability of services, competitive rates and expert, efficient staff.

To measure its quality and competitiveness, Computer Services conducts

benchmark studies at 2-3 year intervals. In F.Y. 1997, a leading benchmarking firm (COMPASS, America, Inc.) was hired to compare InterTech's data center with those of top performing companies in the U.S. and abroad. A quantitative, activity-based costing methodology was used for the analysis. COMPASS concluded that InterTech's unit costs were similar to the average data center of similar size and 30% lower than the government reference group. Another study, conducted by Gartner Group, is underway; results will be available in the 4th quarter of 1998.

Computer Services' Performance Report measures determine how effectively resources are used to deliver service to customers. Examples include:

- Cost per "MIP" (a data center measure which refers to the cost of processing 1 million computer instructions per second).
- Revolving fund revenue per employee (a measure of the productivity of staff based on the growth of data center activity).
- Rate reductions (an indication of Computer Services' competitive stance with alternative providers).

FINANCING INFORMATION:

Computer Services' finances are managed through a revolving fund. Annual rates are established for services, and customer agencies are charged fees for services delivered. Expenses for personnel, hardware, software, etc., are paid for with revolving fund revenues; at the end of each fiscal year, the accounting objective of the fund is to break even.

BUDGET ACTIVITY: Computer Services

AGENCY: Administration, Dept. Of

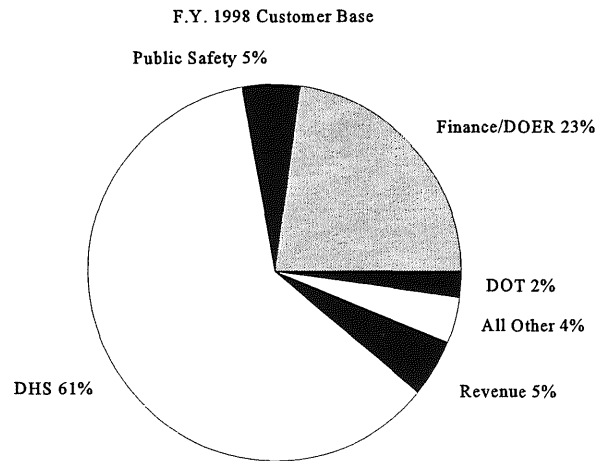
FY2000-2001 Revolving Fund Revenue Summary

	FY97 Actual	FY98 Estimated	FY99 Budget	FY2000 Projected	FY2001 Projected
Computer Services	\$34,529,029	\$37,977,841	\$32,418,206	\$35,086,963	\$36,123,371

2000-01 Biennial Budget

BUDGET ACTIVITY: Computer Services
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of (Admin)
(Continuation)

COMPUTER SERVICE REVOLVING FUND



BUDGET ISSUES:

Historically, Computer Services' rates have decreased as volume has increased, a desirable outcome of managing the economies of scale. However, an associated budget issue is the difficulty of making accurate and timely volume forecasts, particularly for an extended period (34 months). Volume forecasts are key to determining Computer Services' resource levels. When agencies 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.

Because rates are based on initial forecasts, unexpected changes can cause revenues to exceed projections. Costs must be carefully managed to minimize the impact on rates. Because of scale, rates may need to be reduced in mid-year to meet the break-even objective of the revolving fund.

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 the technology of large scale processors, which will significantly reduce both acquisition and operating costs. Computer Services is phasing in the new processors and is already seeing reductions in floor space, electrical power, and cooling and maintenance requirements.

Because the average life of technology is 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. The mission-critical nature of applications operating at Computer Services require that stable environment.

Staffing becomes a budget issue as technology changes, and the environment's sophistication and complexity intensify. Demands for scarce skills create salary pressures, compounded by a highly competitive human resource market. The state's current salary/classification structure is only beginning to deal with these issues, and government agencies are just learning to share technical staff skills across agencies.

InterTech expects to offer its customers an overall rate reduction of 2% in F.Y. 2000. In F.Y. 2001, aggregate rates are expected to remain level. Based on customer volume projections, the impact of reduced rates may be offset for some agencies by increased work volume.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: INTERTECHNOLOGIES GROUP
Activity: COMPUTER SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	0	57	51	53	53	54	54	(1)	-9%
OPERATING EXPENSES	0	91	124	124	2,879	124	1,804	4,468	2,078.1%
SUBTOTAL STATE OPERATIONS	0	148	175	177	2,932	178	1,858	4,467	1,383.0%
Total Expenditures	0	148	175	177	2,932	178	1,858	4,467	1,383.0%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) ELECTRONIC GOV'T SERV DIRECTORY SERVICES	GEN			725	450
(B) ELECTRONIC GOV'T SERV SECURITY INFO TEC	GEN			1,030	830
(B) ELECTRONIC GOV'T SERV SECURITY INFRASTRU	GEN			1,000	400
Total Change Items				2,755	1,680

<u>FINANCING BY FUND:</u>					
DIRECT APPROPRIATIONS:					
GENERAL	0	148	175	177	1,858
Total Financing	0	148	175	177	1,858

<u>REVENUE COLLECTED:</u>					
DEDICATED					
AGENCY	(8)	0	0	0	0
Total Revenues Collected	(8)	0	0	0	0

<u>FTE BY EMPLOYMENT TYPE:</u>					
FULL TIME	0.0	0.8	1.0	1.0	4.0
PART-TIME, SEASONAL, LABOR SER	0.0	0.0	0.0	0.0	0.5
Total Full-Time Equivalent	0.0	0.8	1.0	1.0	4.5

F.Y. 2000-2001 Information Technology New Funding

AGENCY: ADMINISTRATION DEPT

PROGRAM: INTERTECHNOLOGIES GROUP

ACTIVITY: COMPUTER SERVICES

IT Change Item: ELECTRONIC GOV'T SERV DIRECTORY SERVICES

ITEM DESCRIPTION AND PURPOSE:

This community initiative, sponsored by the Information Policy Council, will provide a robust Directory Services infrastructure as an enabling technology capable of supporting future EGS initiatives. Numerous dissimilar e-mail systems will be linked together so governmental staff can communicate with one another.

The goal of the State of Minnesota is to provide electronic channels to deliver service, transact business, and provide information for citizens, business, and government partners, using a variety of technologies, in order to provide better service. The Directory Services infrastructure is an enabling technology that provides this capability.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	175	75	75	75	0	0
Personnel	400	300	300	300	0	0
Services	0	0	0	0	0	0
Software	150	75	75	75	0	0
Supplies	0	0	0	0	0	0
Training	0	0	0	0	0	0
Total	725	450	450	450	0	0

RATIONALE:

Without this initiative, many smaller agencies will have difficulty financing and developing the ability or using the services provided by directory services. By consolidating requirements and sharing resources, this can be done for a significantly smaller investment. In addition, staff resources already developed in the Department of Administration can be shared.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X				
Operations	X	X	X	X		
Modification	X	X	X	X		
Retirement						

This initiative provides for capital costs associated with installation of required hardware/software and project development costs. These costs will be spread over approximately a 4-year period during implementation, maintenance and operations of the directory services infrastructure. It does provide for predesign, planning, operations, maintenance and support during this hardware/software's life cycle.

OFFICE OF TECHNOLOGY ANALYSIS:



Minnesota Technology on Target

Electronic Government Services (EGS) - This initiative is part of a multi-agency collaboration to build a secure infrastructure for delivering government services electronically.

The agency has made progress in information resource management. The agency is sponsoring several collaboration projects which relate to technology infrastructure.

OT Master Plan: Goal 2-Efficient and effective government, Goal 3-Easy and affordable access. Recommendation: Proceed with this project. This is one of several dependent projects which are necessary in order to implement electronic government services. OT supports this project. *** Statewide critical project-must be funded.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for this initiative at requested levels

F.Y. 2000-2001 Information Technology New Funding

AGENCY: ADMINISTRATION DEPT

PROGRAM: INTERTECHNOLOGIES GROUP

ACTIVITY: COMPUTER SERVICES

IT Change Item: ELECTRONIC GOV'T SERV SECURITY INFO TEC

ITEM DESCRIPTION AND PURPOSE:

The purpose of this community initiative, sponsored by the Information Policy Council, is to acquire funding to conduct coordinated security impact analysis and planning in state agencies, thereby providing the ability to deliver secure electronic government services to the citizens of Minnesota. At the conclusion of this effort, agencies will have a security infrastructure assessment and will have developed the planning ability for the implementation of safeguards to conduct secure electronic government services.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	150	125	150	125	0	0
Grants	0	0	0	0	0	0
Hardware	225	75	100	100	0	0
Personnel	405	480	500	500	0	0
Services	0	0	0	0	0	0
Software	150	75	50	50	0	0
Supplies	0	0	0	0	0	0
Training	100	75	50	50	0	0
Total	1,030	830	850	825	0	0

RATIONALE:

Without the assistance of this initiative, many smaller agencies will have difficulty in financing and developing a security plan. By consolidating requirements and sharing resources, the state can accomplish the security impact analysis and planning for a considerably smaller investment. In addition, this initiative provides the leverage needed to share staff resource already developed in the Department of Administration.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X	X	X		
Operations	X	X	X	X		
Modification	X	X	X	X		
Retirement						

This initiative will provide funding for additional staff and facilities to launch the security impact analysis and planning process statewide. The funds provide a staffing mechanism, training and security awareness, incident handling capability, and toolkits and systems to ensure compliance with statewide security policy and standards.

OFFICE OF TECHNOLOGY ANALYSIS:



Minnesota Technology on Target

Electronic Government Services (EGS) - This initiative is part of a multi-agency collaboration to build a secure infrastructure for delivering government services electronically.

The agency has made progress in information resource management. The agency is sponsoring several collaboration projects which relate to technology infrastructure.

OT Master Plan: Goal 2-Efficient and effective government. Recommendation: Proceed with this project - a security impact analysis is necessary to plan for electronic government services. OT supports this project. ***Statewide critical project-must be funded.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for this initiative at requested levels.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: ADMINISTRATION DEPT

PROGRAM: INTERTECHNOLOGIES GROUP

ACTIVITY: COMPUTER SERVICES

IT Change Item: ELECTRONIC GOV'T SERV SECURITY INFRASTRU

ITEM DESCRIPTION AND PURPOSE:

This initiative, which is endorsed by the Information Policy Council (IPC), will provide the security infrastructure for network based systems to enable the electronic delivery of government services.

Without a common security technology toolkit and framework, electronic government services will either be limited to those transactions which do not require privacy or security, or dependent on multiple, potentially incompatible security tools adopted on an agency-by-agency basis.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	500	200	100	100	0	0
Personnel	100	100	100	100	0	0
Services	0	0	0	0	0	0
Software	400	100	50	50	0	0
Supplies	0	0	0	0	0	0
Training	0	0	0	0	0	0
Total	1,000	400	250	250	0	0

RATIONALE:

Encryption, Public Key Infrastructure, Secure Socket Layers, Secure Electronic Transaction, and Firewall technology are fundamental elements in the security architecture for electronic government services. These security tools and policies will provide the maximum accessibility to data with the assurance of secure transfer via the Internet. Without this funding, many smaller state agencies would have difficulty developing this necessary security technology.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X	X	X		
Operations	X	X	X	X		
Modification	X	X	X	X		
Retirement						

This initiative provides for capital costs associated with installation of required hardware/software for data security infrastructure and project development costs. These costs will be spread over approximately a 4-year period during implementation, maintenance and operations of the directory services infrastructure. It does provide for predesign, planning, operations, maintenance and support during this hardware/software's life cycle.

OFFICE OF TECHNOLOGY ANALYSIS:



Minnesota Technology on Target

Electronic Government Services (EGS) - This initiative is part of a multi-agency collaboration to build a secure infrastructure for delivering government services electronically.

The agency has made progress in information resource management. The agency is sponsoring several collaboration projects which relate to technology infrastructure.

OT Master Plan: Goal 2-Efficient and effective government, Goal 3-Easy and affordable access. Recommendation: Proceed with this project - encryption is fundamental for electronic government services. OT supports this project. *** Statewide critical project-must be funded.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for this initiative at requested levels.

2000-01 Biennial Budget

BUDGET ACTIVITY: Technology Management
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

The Technology Management Division provides a broad range of telecommunications services to over 40,000 users in state agencies, public and private K-12 and higher education institutions, local governments and libraries. These services include long distance voice network service, local voice (dial tone) service, voice mail, interactive video service, data transmission, Internet access, data/telecommunications network management and consulting services. All of the long distance and local voice services are leased from the telephone companies. This includes over 46 million minutes of long distance service and 25 million minutes of 800 service annually. Over 13,000 voice mail boxes are provided to state agencies.

The Technology Management Division leases and manages the state's telecommunications infrastructure, which uses high-capacity digital lines provided by the telephone companies. This leased network has "hubs" located strategically in the following cities: St. Paul, Duluth, Rochester, St. Cloud, Hibbing, Marshall, Mankato, Willmar, Moorhead, Bemidji, Thief River Falls and Brainerd. This infrastructure provides the statewide connectivity for over 100,000 terminals required for all state agencies' mission-critical computer applications that use the Computer Services mainframe or agency-owned computers. It currently consists of over 400 routers and over 400 equivalent T1 lines. It also connects 175 state agency, local government, and education video sites throughout the state. The state's coordination ensures that this infrastructure provides the reliability, interoperability, capacity, and security required to conduct the state's mission-critical internal business. It also enables delivery of electronic government services to the public in a cost-effective manner.

STRATEGIES AND PERFORMANCE:

The Division aggregates the needs of the public sector and negotiates favorable contracts with telephone companies to get volume discounts, which lowers the cost to all users of the services. The objective is to provide these services with the highest quality and 99.6% network reliability at competitive rates.

The Telecommunications Collaboration Project, initiated in October 1995 by state

agencies to share access lines and network equipment, has lowered costs and provides increased bandwidth capacity. This sharing saves participating agencies almost \$1 million in projected costs. It also positions the state for future technology development and planned agency applications. InterTech provides staff support and project management to this activity. Currently, 60 of the 87 counties are connected with a leased T1 line for data and video applications. It is anticipated that the remainder of the counties will be connected by the end of F.Y. 1999.

The Connecting Minnesota project is an inter-agency project between Mn/DOT and the Department of Administration. As a result of a RFP process, the contract was awarded with ICN/UCS. The contract provides the state with 20% of the fiber optic network capacity that the contractor will be placing along approximately 2000 miles of interstate and state highway rights-of-way. Construction will begin in the fall of 1998 and will take 3 years to complete. InterTech provides the networking expertise and will be responsible for the operation of the information infrastructure for the department.

To measure quality and competitiveness, Technology Management joins Computer Services in conducting benchmark studies. In F.Y. 1997, InterTech hired COMPASS, America, Inc., a leading benchmarking firm to compare the telecommunications services and rates with those of top performing companies in the U.S. and abroad. The results of this quantitative study by COMPASS indicated the state saved \$1.2 million annually for Centrex (local voice service) or 12% less than the reference group average. There were several recommendations made which have been implemented for additional savings. Another study, conducted by the Gartner Group, is currently underway with results expected in the 4th quarter of 1998.

FINANCING INFORMATION:

Revenues and expenses for most of telecommunications are part of the InterTech revolving fund. The Collaboration Project is supported by a General Fund appropriation from the 1997 legislature. This amounts to \$2.26 million for the 2000-2001 biennium.

A small portion of InterTech's funding for telecommunications is derived from the General Fund. This supports the communications center—the staff and resources used to answer, respond to, and/or direct calls received on the state's general telephone number. It also supports the printing of the state telephone directory.

2000-01 Biennial Budget

BUDGET ACTIVITY: Technology Management
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of (Admin)
 (Continuation)

BUDGET ACTIVITY: Technology Management

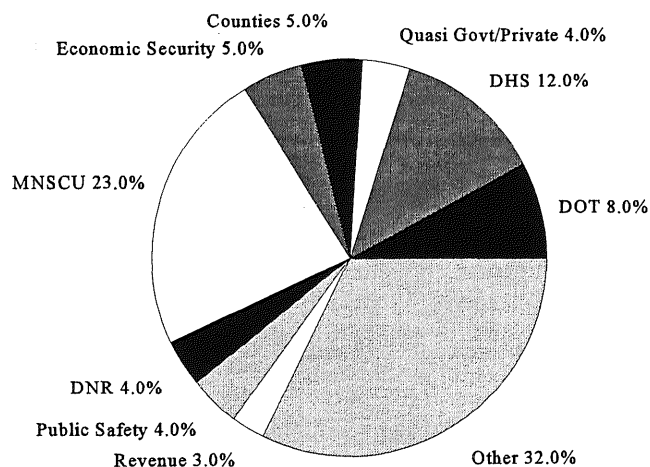
AGENCY: Administration, Dept. Of

FY2000-2001 Revolving Fund Revenue Summary

	FY97 Actual	FY98 Estimated	FY99 Budget	FY2000 Projected	FY2001 Projected
Telecom- munications	\$28,848,402	\$32,633,575	\$35,832,840	\$37,907,825	\$39,045,060

TECHNOLOGY MANAGEMENT REVOLVING FUND

F.Y. 1998 Customer Base



BUDGET ISSUES:

Several ongoing forces have an impact on the telecommunications budget:

- Demands by state agencies require additional bandwidth capacity and services necessary to meet their applications and delivery of services to citizens.
- Rapid changes in technology require hardware and software to be constantly upgraded which is necessary to operate a network that is serviceable, reliable, and supported by the vendors who provide and maintain the equipment.
- Complexity of the network infrastructure is increasing, which may increase overhead costs as newer technologies are introduced and capacity and services are expanded to meet customer demands.
- Obtaining and retaining skilled technical staff is a challenge since these are limited resources sought by all of the public sector as well as the private sector.
- Network security requirements for the network are increasing to ensure that confidential data cannot be accessed by unauthorized users and/or outside hackers.

All of these forces are being carefully managed to minimize any impact on Telecommunications' rates. This is being done in several ways:

- Agencies are encouraged to share bandwidth and resources where it is feasible to lower costs. The Collaboration Project is a good example.
- New technology is being introduced in a controlled manner when technically, operationally, and cost-effective to do so.
- New technology and systems are being used when applicable and cost-effective to better manage this complex network and ensure reliability for agencies' mission-critical applications.
- Utilizing technical support resources of other agencies at certain locations where they may be available to assist in supporting the network. Also, the state's current salary/classification structure is starting to deal with the technical staff issues.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: INTERTECHNOLOGIES GROUP
Activity: TECHNOLOGY MANAGEMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,740	863	953	564	564	581	581	(671)	-36.9%
OPERATING EXPENSES	1,770	1,917	5,356	1,176	2,426	1,284	3,484	(1,363)	-18.7%
SUBTOTAL STATE OPERATIONS	3,510	2,780	6,309	1,740	2,990	1,865	4,065	(2,034)	-22.4%
PAYMENTS TO INDIVIDUALS	20	0	0	0	0	0	0	0	
LOCAL ASSISTANCE	0	10,204	11,361	0	1,250	0	0	(20,315)	-94.2%
Total Expenditures	3,530	12,984	17,670	1,740	4,240	1,865	4,065	(22,349)	-72.9%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) CONNECTING MINNESOTA NETWORK INITIATIVE	GEN						2,200		
(B) YEAR 2000 CONTINGENCY FUND	GEN				2,500				
Total Change Items					2,500		2,200		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	3,500	12,953	17,653	1,740	4,240	1,865	4,065		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	30	31	17	0	0	0	0		
Total Financing	3,530	12,984	17,670	1,740	4,240	1,865	4,065		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	14	0	0	0	0	0	0		
Total Revenues Collected	14	0	0	0	0	0	0		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: INTERTECHNOLOGIES GROUP
Activity: TECHNOLOGY MANAGEMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	32.8	18.1	19.0	19.0	19.0	19.0	19.0
PART-TIME, SEASONAL, LABOR SER	1.0	0.2	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	33.8	18.3	19.0	19.0	19.0	19.0	19.0

F.Y. 2000-2001 Information Technology New Funding

AGENCY: ADMINISTRATION DEPT

PROGRAM: INTERTECHNOLOGIES GROUP

ACTIVITY: TECHNOLOGY MANAGEMENT

IT Change Item: CONNECTING MINNESOTA NETWORK INITIATIVE

ITEM DESCRIPTION AND PURPOSE:

This initiative is for electronic hardware/software to provide statewide infrastructure development through the Connecting Minnesota Project, a public/private partnership in which a private company is placing fiber optic cable along 2000 miles of interstate highway and state highway rights-of-way that will increase the high-speed digital bandwidth access to the rights-of-way. Hardware/software is required to connect to the fiber optic cable to use this capacity and provide the telecommunications services for state agencies, education, libraries and local governments.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	0	2,200	3,200	2,380	1,590	0
Personnel	0	0	0	0	0	0
Services	0	0	0	0	0	0
Software	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Training	0	0	0	0	0	0
Total	0	2,200	3,200	2,380	1,590	0

RATIONALE:

This initiative will significantly improve the affordability and access to information technology for public entities throughout the state. It will increase the high-speed digital capacity required for data and video applications and reduce the ongoing costs. Access to the Internet, distance learning applications between educational institutions and libraries and development of electronic government will be enhanced. It positions the state for future technology development and planned agency applications.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development						
Operations	X	X	X	X	X	X
Modification						
Retirement						

This initiative provides for 1-time capital costs associated with installation of required hardware/software. These capital costs will be spread over approximately a 4-year period as the fiber is installed by the contractor throughout the state. It does not provide for any predesign, planning, operations, maintenance, support and eventual retirement during this life cycle. These costs are recovered from the users of the network and included in the rate structure of InterTech.

OFFICE OF TECHNOLOGY ANALYSIS:

The agency has made progress in information resource management. The agency is sponsoring several collaboration projects which relate to technology infrastructure.

OT Master Plan: Goal 1-Technically literate and competent society, Goal 2-Efficient and effective government, Goal 3-Easy and affordable access, Goal 4-Stimulated economic development, Goal-5 Improved quality of life.

Recommendation: Proceed with this project. OT supports this project. ***
Statewide critical project-must be funded.

GOVERNOR'S RECOMMENDATION:

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The Governor recommends funding for this initiative at requested levels.

F.Y. 2000–2001 Information Technology New Funding

AGENCY: ADMINISTRATION DEPT

PROGRAM: INTERTECHNOLOGIES GROUP

ACTIVITY: TECHNOLOGY MANAGEMENT

IT Change Item: YEAR 2000 CONTINGENCY FUND

ITEM DESCRIPTION AND PURPOSE:

The Year 2000 problem is a business continuation problem that has the potential to impact all citizens of the state. Unfortunately, date sensitive technology uses 2-digit dates and cannot distinguish between centuries. Many mission-critical state agency computer systems, electronic devices, and business partners require fixes, upgrades, replacements, and/or contingency plans to reduce the risk of Year 2000 failure.

Year 2000 Contingency Funds must be available for the business continuation of mission-critical systems within the state in the event of failure of systems, electronic equipment, and state business partners.

FUNDING:

Funding Distribution	2000–01 Biennium		2002–03 Biennium		2004–05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	25	0	0	0	0	0
Grants	1,250	0	0	0	0	0
Hardware	0	0	0	0	0	0
Personnel	300	0	0	0	0	0
Services	900	0	0	0	0	0
Software	0	0	0	0	0	0
Supplies	25	0	0	0	0	0
Training	0	0	0	0	0	0
Total	2,500	0	0	0	0	0

RATIONALE:

If computer applications and databases of mission-critical systems and the embedded technology of state facilities and infrastructure (i.e., transportation, communications, and public safety) fail to function, the cost and liabilities due to State Business System and Infrastructure failure will cause a large fiscal impact. This request provides contingency funds for failures of systems or equipment.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000–01 Biennium		2002–03 Biennium		2004–05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development						
Operations						
Modification	X					
Retirement						

The project funding is targeted for unknown Year 2000 risks. The project will be retired after the Year 2000 problem is resolved.

OFFICE OF TECHNOLOGY ANALYSIS:

The agency has made progress in information resource management. The agency is sponsoring several collaboration projects which relate to technology infrastructure.

OT Master Plan: Goal 2—Efficient and effective government. Recommendation: OT supports this contingency fund to address potential Year 2000 failures. *** Statewide critical project—must be funded.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$2.5 million for this initiative. Of this amount, \$350,000 is available for continued operation of the year 2000 project office through 6–30–2000. Up to an additional \$150,000 may be allocated for the project office costs with the prior approval of the Commissioner of Finance.

BUDGET ACTIVITY: InterTechnologies Group
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

2000-01 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Computer Services & Telecom Management
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 970

* OPERATIONS DATA *						* FINANCIAL DATA *		
	ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001	ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
OPERATING REVENUES:						ASSETS:		
NET SALES	62,988.6	70,071.4	67,501.2	72,132.4	74,176.7	CURRENT ASSETS:		
LESS: COST OF SALES						CASH	4,332.3	9,143.0
GROSS PROFIT ON SALES	62,988.6	70,071.4	67,501.2	72,132.4	74,176.7	OTHER CURRENT ASSETS	11,702.7	8,136.4
OTHER REVENUE	388.8	540.0	749.9	862.4	991.7	TOTAL CURRENT ASSETS	16,035.0	17,279.4
NET REVENUES	63,377.4	70,611.4	68,251.0	72,994.8	75,168.4	NON-CURRENT ASSETS:	19,487.8	19,911.9
LESS: OPERATING EXPENSES:						TOTAL ASSETS	35,522.9	37,191.3
SALARIES	12,188.2	12,861.6	14,578.8	15,016.1	15,466.6	LIABILITIES & FUND EQUITY:		
SUPPLIES & EXPENSES	40,501.6	41,595.5	44,145.6	47,577.7	48,391.8	LIABILITIES:		
INDIRECT COSTS	746.9	733.7	777.7	801.0	825.0	CURRENT LIABILITIES:		
AMORTIZATION & DEPRECIATION	12,853.0	10,233.1	8,095.9	9,000.0	9,885.0	DUE GENERAL FUND - CURRENT	2,500.0	0.0
TOTAL OPERATING EXPENSES	66,289.6	65,423.9	67,597.9	72,394.8	74,568.4	MASTER LEASE - CURRENT	9,996.4	12,867.0
OPERATING INCOME (LOSS)	(2,912.2)	5,187.5	653.2	600.0	600.0	OTHER CURRENT LIABILITIES	4,371.8	3,570.0
NON-OPERATING REVENUES (EXPENSES)	(627.1)	(649.0)	(653.2)	(600.0)	(600.0)	TOTAL CURRENT LIABILITIES	16,868.2	16,437.0
NET INCOME (LOSS)	(3,539.3)	4,538.5	(0.0)	0.0	0.0	NON-CURRENT LIABILITIES:		
BEGINNING RETAINED EARNINGS	7,534.6	3,794.4	8,343.8	8,343.8	8,343.8	DUE GENERAL FUND - NON-CURRENT	0.0	0.0
PRIOR PERIOD ADJUSTMENT	(200.9)	10.9	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	11,846.1	9,317.5
ENDING RETAINED EARNINGS	3,794.4	8,343.8	8,343.8	8,343.8	8,343.8	OTHER NON-CURRENT LIABILITIES	666.2	745.0
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	12,512.3	10,062.5
						TOTAL LIABILITIES	29,380.5	26,499.5
						FUND EQUITY:		
						CONTRIBUTED CAPITAL-GENERAL FUND	2,348.0	2,348.0
						RETAINED EARNINGS	3,794.4	8,343.8
						TOTAL FUND EQUITY	6,142.4	10,691.8
						TOTAL LIABILITIES & FUND EQUITY	35,522.9	37,191.3
RATE INCREASE/(DECREASE):	-4.00%	0.00%	-5.00%	-2.00%	0.00%			
However, we anticipate aggregate costs will actually increase due to projected volume increases.								
FIVE YEAR AVERAGE INCREASE/(DECREASE):	-2.20%							

2000-01 Biennial Budget

BUDGET ACTIVITY: 9-1-1 Emergency Services
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

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 and the 10 State Patrol answering points. In a broader sense, however, the telephone subscribers who dial 9-1-1 are the customers of the 9-1-1 program.

STRATEGIES AND PERFORMANCE:

InterTech provides technical assistance to the public safety agencies implementing, maintaining, and improving 9-1-1 systems; administers rules that set system standards; uses funds collected through monthly statewide telephone and wireless telephone surcharges (currently 27 cents) to pay the state share of 9-1-1 costs; and funds grant programs to maintain and improve 9-1-1 and other public safety-related services. Minnesota has achieved statewide 9-1-1 service and is very close to having statewide enhanced 9-1-1. Currently, most efforts are directed toward administering processes for the collection of funds, verification and payment of invoices, distributing grant funds, helping interested counties modernize their 9-1-1 systems, and planning and implementing wireless enhanced 9-1-1.

Historical Information:

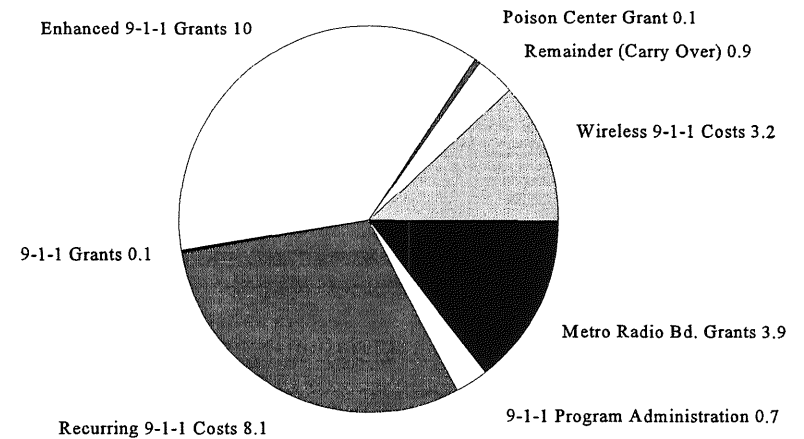
<u>End of CY</u>	<u>1977</u>	<u>1982</u>	<u>1986</u>	<u>1994</u>	<u>1996</u>	<u>1998</u>
Event	9-1-1 Law in effect	Metro Mandate	State Mandate	mid FY95	mid FY97	projected midFY99
Coverage	14%	61%	86.8%	100%	100%	100%
Enhanced	0%	51%	60.9%	75%	85%	100%
Fund Source	General	General	.14 fee	.14 fee	.22 fee	.27 fee

FINANCING INFORMATION:

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. The fee was extended to wireless subscribers in F.Y. 1995, and an enhanced 9-1-1 grant component was added in calendar year 1995. The current 9-1-1 fee is set at 27 cents, based on F.Y. 1999 anticipated costs, and an assumed average subscriber count of 3.7 million. The chart shows the approximate allocation of the 27-cent fee.

MINNESOTA 9-1-1 PROGRAM

Current 9-1-1 Fee Allocation



(Figures in cents)

2000-01 Biennial Budget

BUDGET ACTIVITY: 9-1-1 Emergency Services
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of (Admin)
(Continuation)

- **8.1 CENTS—RECURRING 9-1-1 COSTS.** The Department of Administration pays for the recurring costs of delivering 9-1-1 calls to Public Safety Answering Points which are operated by county or city government: \$3,615,000.
- **0.1 CENT—9-1-1 GRANTS.** Because fees are collected to the whole penny, carryover funds are generated. M. S. 403.11, subd. 1, authorizes the use of carryover funds to provide grants to local government to improve 9-1-1 service: \$50,000.
- **3.9 CENTS—METRO RADIO BOARD GRANTS.** M. S. 473.901 requires The Department of Administration to include a portion of the Metropolitan Radio Board budget in its request for legislative appropriations. The amount is capped at no more than 4 cents per subscriber. The current F.Y. 1999 appropriation for this item is \$1,248,000, but the Metropolitan Radio Board has subsequently revised its budget to \$1,712,224. A supplemental appropriation will be requested for F.Y. 1999.
- **0.7 CENT—9-1-1 PROGRAM ADMINISTRATION.** Salaries and other program administration costs of running the Minnesota 9-1-1 Program: \$302,251.
- **10 CENTS—ENHANCED 9-1-1 GRANTS.** M. S. 403.113 establishes enhanced 9-1-1 grants for implementing, improving, and maintaining enhanced 9-1-1: \$4,440,000.
- **0.1 CENT—POISON CENTER GRANT.** Minnesota Laws, 1994, Chapter 634, Article 1, section 25(a) require the Department of Administration to provide grants to poison centers from carryover funds: \$50,000.
- **3.2 CENTS—WIRELESS 9-1-1 COSTS.** Installation and recurring charges for integrating wireless 9-1-1 calls into enhanced 9-1-1 networks. Minnesota Laws, 1997, Chapter 202, article 3, section 21: \$1,434,000.

- **0.9 CENT—REMAINDER (CARRY OVER).** Each penny collects slightly more than \$450,000 per year. Because collections are to the whole penny, fee collections exceed annual costs. M. S. 403.11, Subd. 1 directs that these funds must not cancel and are carried forward to subsequent years: \$384,504.

BUDGET ISSUES:

- **WIRELESS 9-1-1.** Costs to maintain the 9-1-1 system are increasing due to the new requirements to integrate wireless 9-1-1 into the enhanced 9-1-1 systems. Each wireless system extends beyond city and county borders, and some beyond enhanced 9-1-1 selective router areas. Accordingly, the 9-1-1 program pays for both the installation and recurring costs to integrate wireless 9-1-1 calls into the enhanced 9-1-1 systems. That includes costs for connecting wireless switching offices to multiple selective routers, operated by different 9-1-1 service providers.
- **GRANTS.** 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 27-cent fee on wireless subscribers) and for Enhanced 9-1-1 (10 cents of the 27-cent fee on both wired and wireless telephone lines). M. S. 403.113, subd. 5 requires the commissioner of administration to review the enhanced 9-1-1 funding requirements by the end of 1998. Certifications of assessments for calendar years 1995 and 1996 demonstrated that the amounts distributed to counties and cities operating 9-1-1 Answering Points has been ¼ or less of the amounts assessed by that unit of government for enhanced 9-1-1. A local government initiative to raise the enhanced fee (and the 30-cent cap) may be pursued this session. Houston County Board of Commissioners Resolution 98-36 expresses the public policy issue, stating that local property taxation is an inappropriate funding source for enhanced 9-1-1, and resolving to support a substantial increase of the enhanced 9-1-1 surcharge in an attempt to make enhanced 9-1-1 self-supporting on a user fee basis.
- **METRO RADIO BOARD.** A major increase in the 9-1-1 budget is needed to cover further increases for the Metropolitan Public Safety Radio system from 9-1-1 funds. The Metropolitan Radio Board increased its 1997 budget from \$93,000 to \$1,200,000 in 1998, and \$1,712,224 (initially \$1,248,000, but subsequently further increased) in 1999. The current Metropolitan Radio Board budget calls for funding from the 9-1-1 special revenue fund of \$1,780,713 in F.Y. 2000.

2000-01 Biennial Budget

BUDGET ACTIVITY: 9-1-1 Special Revenue Fund
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of (Admin)
 (Continuation)

The Metropolitan Radio Boards budget assumes that the board will use the total amount of 9-1-1 revenues available to it under M. S. 473.901, which 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 that support mutual aid communications and emergency medical services. An anticipated \$1,851,942 is expected to be the amount budgeted by the Metropolitan Radio Board for F.Y. 2001. The Metropolitan Council is required by M. S. 473.901 to submit the Metropolitan Radio Board annual budget to the Department of Administration by December 15 of each year.

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 27 cents) is set by the commissioner of administration with the approval of the commissioner of finance.

Recent Revenue Levels (\$000):

<u>Fiscal Year</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999 (ant)</u>
Fee (wired)	.18	.18	.14	.14	.22	.22	.22	.27
Fee (wireless)				.14	.12	.12	.22	.27
Collections	\$4,911	\$4,937	\$3,949	\$4,596	\$6,600	\$7,875	\$9,530	\$11,989
% Inc/Dec	0.53	(20.0)	16.38	43.60	19.32	21.02	21.02	25.80

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 1995 and 1996, but the fee was not increased to 22 cents (for wired telephones) until October

of 1995 because carryover funds were available in the 9-1-1 Special Revenue Fund. Likewise, the increase in F.Y. 1998 costs caused by the Metro Radio System was offset by carryover funds rather than an immediate increase in the 9-1-1 fee, but fee revenues still increased because 1997 legislation expanded the scope of the enhanced 9-1-1 fee, requiring collection from the wireless access service providers. The fee was increased to 27 cents effective 7-1-98, to cover the costs of implementing wireless enhanced 9-1-1 and increases in the Metropolitan Radio Board budget.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Type of Revenue:					
Dedicated-StateGovernment					
Special Revenue	7,875	9,530	11,989	12,632	13,364

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: INTERTECHNOLOGIES GROUP
Activity: 911 EMERGENCY SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	153	165	160	204	204	204	204	83	25.5%
OPERATING EXPENSES	3,993	3,378	10,584	4,904	4,904	4,904	4,904	(4,154)	-29.8%
SUBTOTAL STATE OPERATIONS	4,146	3,543	10,744	5,108	5,108	5,108	5,108	(4,071)	-28.5%
LOCAL ASSISTANCE	3,184	5,619	6,968	5,949	6,597	5,935	6,659	669	5.3%
Total Expenditures	7,330	9,162	17,712	11,057	11,705	11,043	11,767	(3,402)	-12.7%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) METRO RADIO BOARD F.Y. 1999 SUPPLEMENT	SGS		465		648		724		
Total Change Items			465		648		724		
<u>FINANCING BY FUND:</u>									
CARRY FORWARD:									
STATE GOVERNMENT SPECIAL REVENUE	395	77	6,370	0	0	0	0		
DIRECT APPROPRIATIONS:									
STATE GOVERNMENT SPECIAL REVENUE	6,935	9,085	11,342	11,057	11,705	11,043	11,767		
Total Financing	7,330	9,162	17,712	11,057	11,705	11,043	11,767		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
STATE GOVERNMENT SPECIAL REVENUE	7,875	9,557	11,535	12,632	12,632	13,364	13,364		
Total Revenues Collected	7,875	9,557	11,535	12,632	12,632	13,364	13,364		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: INTERTECHNOLOGIES GROUP

Activity: 911 EMERGENCY SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Full-Time Equivalent	3.0	3.0	3.0	3.0	3.0	3.0	3.0

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Administration, Department of
PROGRAM: InterTechnologies Group
ACTIVITY: 9-1-1 Special Revenue Fund

ITEM TITLE: Metro Radio Board Supplement

	<u>1998-1999 Biennium</u>	<u>2000-01 Biennium</u>	<u>2002-03 Biennium</u>		
	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)					
Special Revenue Fund					
- 9-1-1 Fund	\$465	\$648	\$724	\$802	\$885
Revenues: (\$000s)					
Special Revenue Fund					
- 9-1-1 Fund	\$465	\$648	\$724	\$802	\$885

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing the F.Y. 1999 9-1-1 Special Revenue Fund appropriation by \$465,000 in F.Y. 1999, \$648,000 in F.Y. 2000 and \$724,000 in F.Y. 2001 in order to allow the department to transfer the appropriate amount to the Metropolitan Radio Board consistent with its approved budget.

RATIONALE:

M.S. 473.901 requires the Department of Administration to include a portion of the Metropolitan Radio Board budget in its request for legislative appropriations. The current F.Y. 1999 appropriation for this item is \$1,248,000. The Metropolitan Radio Board is required to submit an annual budget, however, and its F.Y. 1999 budget was approved after the biennial appropriation for 9-1-1 was approved. The Board has informed the Department of Administration that the F.Y. 1999 requirement has been increased to \$1,712,224. A supplemental appropriation of \$465,000 is needed in F.Y. 1999 in order to allow the Department of Administra-

tion to comply with M.S. 473.901 and increase the monthly payment to the Metropolitan Radio Board's approved budget level. Subsequent year requests are based on assumptions adopted by the Metropolitan Radio Board.

FINANCING:

Existing 9-1-1 fee collections are sufficient to cover this added expense to the 9-1-1 fund.

OUTCOMES:

The Department of Administration will be in compliance with M.S. 473.901, and the Metropolitan Radio Board will receive funding from the 9-1-1 Special Revenue fund up to its approved budget level.

2000-01 Biennial Budget

BUDGET ACTIVITY: Intergov Info Systems Adv. Cncl
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

Pursuant to M.S.16B.42, the Intergovernmental Information Systems Advisory Council (IISAC) expires 6-30-99.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: INTERTECHNOLOGIES GROUP

Activity: INTERGOV INFO SYSTEMS ADV CNCL

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	137	190	196	0	0	0	0	(386)	-100.0%
OPERATING EXPENSES	341	124	372	0	0	0	0	(496)	-100.0%
SUBTOTAL STATE OPERATIONS	478	314	568	0	0	0	0	(882)	-100.0%
LOCAL ASSISTANCE	88	5	85	0	0	0	0	(90)	-100.0%
Total Expenditures	566	319	653	0	0	0	0	(972)	-100.0%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	566	319	653	0	0	0	0		
Total Financing	566	319	653	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	2.4	3.0	3.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	2.4	3.0	3.0	0.0	0.0	0.0	0.0		

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2000-01 Biennial Budget

PROGRAM: Facilities Management

AGENCY: Administration, Department of (Admin)

PROGRAM PROFILE:

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:

- Meet agency construction projects and space needs that are timely and cost-effective.
- Guide state agencies in the reduction of pollution in the environment and decrease dependence on natural resources through diligent leadership in the areas of energy management, resource recovery, and transportation.
- Facilitate agency identification of long-term capital needs and baseline information on each capital project from inception to occupancy through a 6-year planning process for greater project accountability.

STRATEGIES AND PERFORMANCE:

The overall goals are to provide high quality, cost-effective, energy-efficient, safe and healthy facilities and to continue to implement capital budget improvements and the long-range *Strategic Plan for Locating State Agencies*. Capital improvement projects will continue to go through the predesign stage introduced in 1994 to establish the project scope, cost, and time schedule to better define project parameters before major funds are committed. 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. The program is identifying and implementing a computer assisted facilities management (CFAM) program to provide tools needed for improved management of operations.

- **Building Construction:** For many years, building construction has relied on existing staff and resources to manage additional initiatives such as statewide building access, hazardous materials abatement, underground storage tank

removal, CAPRA, indoor air quality, and services to the Designer Selection Board. Other architectural, engineering, and professional services have been provided without increasing staff by contracting needed services at a much higher cost to the taxpayers.

- With the growing workload due to the significant bonding bills in 1994, 1996 and 1998, facilities management is experiencing difficulty in continuing to provide the quality services historically provided. In 1996 this activity went through a refocusing process and developed a reorganized structure for improved efficiency of operation and delivery of services.
- **Building Codes and Standards:** 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. Currently, 70 out of 87 counties and 475 out of 854 cities are noncode enforcement jurisdictions. The current model code system in the United States is in the process of a major unification change. In order for the entire construction industry to keep up with these changes, a continuous widespread training and education program will be instituted. Successful code administration will depend on the application of rules and standards by architects, engineers, building officials, contractors, and the general public. This activity converted to a revolving fund in 1997 and completed its reorganization in 1998.
- **Real Estate Management:** 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. Leasing of nonstate-owned office space has significantly increased from 2.2 million square feet in 1988 to 3.2 million in 1998.
- **Plant Management:** The plant management activity 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, resource recovery, and parking/transportation programs) 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.

2000-01 Biennial Budget

PROGRAM: Facilities Management

AGENCY: Administration, Department of (Admin)
(Continuation)

FINANCING INFORMATION:

The Facilities Management Bureau receives revenue from a variety of sources:

- Dedicated revenues are generated by Building Construction, Plant Management, and Building Codes and Standards.
- Non-dedicated revenues are generated by Real Estate Management and Plant Management.
- Revolving fund revenues are generated by Plant Management.

BUDGET ISSUES:

Budget issues affecting the Facilities Management Program include:

- There are an increasing number of projects and a need to more closely monitor the construction phase of a project.
- The deferred maintenance needs for the Capitol Complex and various outlying buildings is about \$24 million. It is more economical for the state to fund a preventive maintenance program for repair and replacement than to incur costs for emergency repairs or full replacement of facilities.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments: a one-time General Fund increase in F.Y. 2000 of \$520,000 for improvements to the Security Infrastructure of the Capitol Complex. Additionally, the Governor recommends that \$4,697,000 in F.Y. 2000 and \$4,761,000 in the Plant Management Internal Service Fund scheduled to be transferred to the General Fund for building depreciation be retained and used for repair and replacement of state-owned capital assets.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: FACILITIES MANAGEMENT

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
REAL ESTATE MANAGEMENT	389	338	355	376	376	396	396	79	11.4%
PLANT MANAGEMENT	2,704	4,024	5,987	2,813	3,333	2,847	2,847	(3,831)	-38.3%
BUILDING CODES & STANDARDS	2,193	2,819	3,800	4,100	4,100	4,200	4,200	1,681	25.4%
BUILDING CONSTRUCTION	6,859	18,718	8,558	2,394	2,394	2,442	2,442	(22,440)	-82.3%
Total Expenditures	12,145	25,899	18,700	9,683	10,203	9,885	9,885	(24,511)	-55.0%

CHANGE ITEMS:	FUND		
(B) SECURITY INFRASTRUCTURE-CAPITOL CMLPX	GEN		520
Total Change Items			520

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	3,582	5,958	7,158	3,863	4,383	3,958	3,958
TRUNK HIGHWAY	0	464	0	0	0	0	0
STATUTORY APPROPRIATIONS:							
STATE GOVERNMENT SPECIAL REVENUE	2,202	2,819	3,800	4,100	4,100	4,200	4,200
SPECIAL REVENUE	1,530	1,435	1,729	1,492	1,492	1,492	1,492
FEDERAL	4,569	14,348	5,608	0	0	0	0
AGENCY	153	395	228	228	228	235	235
GIFT	109	480	177	0	0	0	0
Total Financing	12,145	25,899	18,700	9,683	10,203	9,885	9,885

FTE BY EMPLOYMENT TYPE:							
FULL TIME	90.1	87.3	111.7	109.7	109.7	109.7	109.7
PART-TIME, SEASONAL, LABOR SER	1.7	2.5	0.2	0.2	0.2	0.2	0.2
OVERTIME PAY	0.6	0.5	0.2	0.2	0.2	0.2	0.2
Total Full-Time Equivalent	92.4	90.3	112.1	110.1	110.1	110.1	110.1

2000-01 Biennial Budget

BUDGET ACTIVITY: Real Estate Management
PROGRAM: Facilities Management
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

This activity exists to provide the following services to state agencies statewide, except those agencies that have their own authority or are exempt from M.S. 16B.24, such as the departments of Transportation and Natural Resources, and the Minnesota State Colleges and Universities:

- Provide, allocate, and lease state-owned and nonstate-owned real property to house state agencies in quality spaces at the most economical rent.
- Generate revenue by leasing state-owned property that is temporarily not needed for state use.
- Provide space programming and monitor leasehold improvement construction for compliance with terms and conditions of leases.
- Assist agencies in acquiring and disposing of real property, issue easements and permits, and transfer custodial control of property between agencies.
- Manage the Capitol Child Care Center vendor contract.

STRATEGIES AND PERFORMANCE:

The activity maintains 900 leases of nonstate-owned and state-owned real property. The state leases approximately 3.8 million usable square feet of nonstate-owned space and other real property statewide at an annual cost of \$54 million. The Department of Administration leases 1.2 million usable square feet of state-owned space under its custodial control to other agencies. Of the total 5 million usable square feet occupied, approximately 76% 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.

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 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.

The primary issue raised in customer surveys is the time it takes to complete transactions. Real estate negotiations and transactions have become more complex due to issues involving accessibility, code compliance, indoor air quality, hazardous materials and risk management. Due to the lack of availability of larger spaces in the market, negotiations have become exceedingly more difficult and time consuming. Customers expect the service to also provide project management to ensure that spaces are delivered in accordance with lease terms and conditions. These requirements need to be addressed and monitored, but due to inadequate staffing for the workload, it is difficult to be thorough and often these issues are only minimally addressed.

FINANCING INFORMATION:

This program activity is financed by the General Fund.

This activity is anticipated to generate nondedicated revenue of \$10,000 in the F.Y. 2000-01 biennium from leasing state property that is temporarily surplus.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: REAL ESTATE MANAGEMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	270	258	280	293	293	312	312	67	12.5%
OPERATING EXPENSES	119	78	75	83	83	84	84	14	9.2%
SUBTOTAL STATE OPERATIONS	389	336	355	376	376	396	396	81	11.7%
CAPITAL OUTLAY	0	2	0	0	0	0	0	(2)	-100.0%
Total Expenditures	389	338	355	376	376	396	396	79	11.4%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	389	338	355	376	376	396	396		
Total Financing	389	338	355	376	376	396	396		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	1	52	6	5	5	5	5		
Total Revenues Collected	1	52	6	5	5	5	5		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	5.4	2.8	5.0	5.0	5.0	5.0	5.0		
Total Full-Time Equivalent	5.4	2.8	5.0	5.0	5.0	5.0	5.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: Plant Management Division (PMD)
PROGRAM: Facilities Management
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

Plant Management maintains 3.5 million gross square feet in 21 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.

To carry out its mission, Plant Management is organized into 4 areas: Complex Operations, Complex Services, Technical Services, and Support Operations.

Complex Operations maintains and operates buildings under the custodial control of Plant Management through housekeeping, engineering, building management and project coordination services.

Complex Services provides grounds maintenance and snow removal services in the Capitol complex; operates the State Recycling Center; provides resource recovery assistance and education; 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 and delivery services.

Technical Services provides traditional trade and repair services 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 are performed by Plant Management on a fee-for-service basis. Also provided is the operation of the environmental, fire, life and safety systems. This area also focuses on statewide energy efficiency improvements, monitors the use of energy in all state-owned 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 common space conference rooms and special events; manages contract and daily permit parking in the Capitol complex;

manages the bus card program; and provides administrative, technological, and financial support to all other activities in the division. This area also provides transportation coordination services to increase the use of alternative forms of transportation in the Capitol complex and to reduce the number of single occupancy vehicles.

STRATEGIES AND PERFORMANCE:

Plant Management has developed a prioritized 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, repaired, maintained and replaced in a cost-effective manner to maintain the structural integrity of the facilities and preserve the state assets. This program is critical to the ongoing successful management of the division.

M. S. 16A.11, subd. 6, was amended to provide repair and replacement activities. Due to the age and condition of the buildings under its custodial control, Plant Management has a significant need for funding of major repair/replacement projects. The Statewide Facilities Managers' Group is recommending appropriate ongoing maintenance funding, as well as providing recommendations to address the existing "capital iceberg" for deferred maintenance. It is critical that funding for ongoing maintenance be provided.

A segregated Facility Repair/Replacement account was established through a change in legislation in 1998 to enable CAPRA/ADA bond interest and building depreciation to be transferred to this account to be held in reserve for use by Plant Management to fund major maintenance/repair or replacement projects in the buildings under its custodial control. Previously, the funds were transferred to the General Fund. The goal of this account is to allow funds to accumulate so more major facility repairs/replacements can be accomplished. Currently, receipts are estimated at \$250,000 per year. Over time, this account, in conjunction with any funding resulting from the repair and replacement amendment, should assist Plant Management in 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 funding.

Improvements in the delivery of housekeeping, engineering and grounds services are estimated to exceed the performance reporting standards for the previous biennium. In order to continue with recycling efforts, it is anticipated that there

2000-01 Biennial Budget

BUDGET ACTIVITY: Plant Management Division (PMD)
PROGRAM: Facilities Management
AGENCY: Administration, Department of (Admin)
 (Continuation)

will be an increase in the annual recycling rate in the metropolitan area and a reduction in the Capitol Complex refuse sent to the refuse-diverted fuel facility based on occupancy. Through energy retrofit programs, electrical energy demand and consumption, as well as natural gas consumption, will be significantly reduced in state-owned buildings resulting in energy and operational cost savings for state agencies. By negotiating fuel types and costs for state institutions, fuel cost savings will be achieved. Training programs for state facility operators will continue to be offered. These offerings will improve operational efficiencies in state facilities and help in keeping state facility operators current with the technologies of today.

FINANCING INFORMATION:

This activity generates dedicated, non-dedicated, General, and revolving fund revenue (see finance page for revolving and General Fund revenue).

Dedicated and non-dedicated receipts include the following:

<u>Receipts</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>	<u>F.Y.2002</u>	<u>F.Y.2003</u>
Bus Cards ¹	228,232	235,079	242,131	249,395
Parking ²	2,004,323	2,024,366	2,044,609	2,065,056
Parking Surcharge ²	269,253	271,945	274,665	277,411
Energy-SMS ³	68,250	68,250	69,274	70,313
Energy-Minnegasco ⁴	84,107	83,985	80,422	69,765
Resource Recovery ⁵	102,317	104,551	103,255	111,788

¹ For the sale of Metro Transit bus cards. This program was previously managed by Admin's Travel Management Division.

² For parking contracts in the Capitol Complex area including the newly constructed 14th Street Ramp.

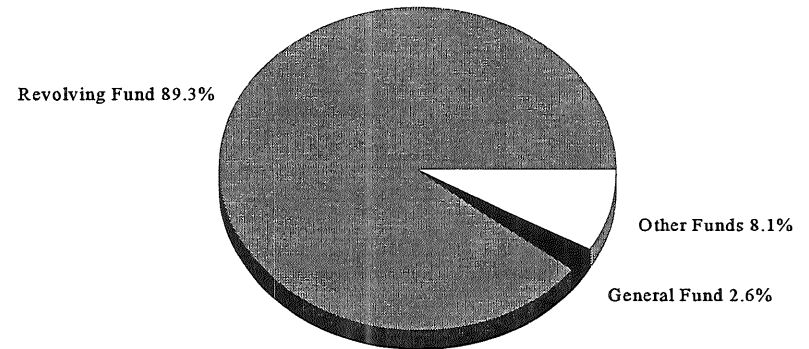
³ From the operating budgets of retrofitted facilities statewide to be used for the annual testing, calibration, certification and field maintenance of the Savings Monitoring System (SMS) hardware.

⁴ Loan paybacks for projects initiated under the Minnegasco Grant Program.

⁵ Resource Recovery non-dedicated receipts based on market fluctuations.

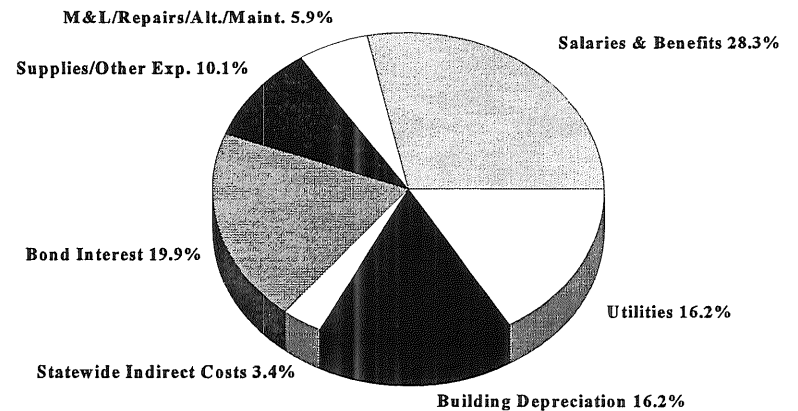
PROJECTED REVENUES - F.Y. 2000

(all sources: \$42,454,280)



OPERATING EXPENSES - REVOLVING LEASE ACTIVITY F.Y. 2000

Total: \$37,292,318



(only a portion of PMD's operation)

2000-01 Biennial Budget

BUDGET ACTIVITY: Plant Management Division (PMD)
PROGRAM: Facilities Management
AGENCY: Administration, Department of (Admin)
(Continuation)

BUDGET ISSUES:

- **Energy Retrofit:** The NSP/State of Minnesota Energy Retrofit program implemented through the Energy Management Section completed energy retrofits in 22 million square feet of state-owned buildings, producing annual energy savings of \$4.4 million. Approximately 16 million square feet of state-owned buildings were not included in this project.
- **Deferred Maintenance:** Plant Management's deferred maintenance needs total approximately \$24 million for the 3.5 million gross square feet of space maintained in the Capitol Complex and various outlying buildings. In the F.Y. 1998-99 biennium, Plant Management received an asset preservation appropriation from the legislature, for \$2.25 million for each year of the biennium for repair and maintenance of state facilities under the custodial control of Admin. This account is being used to fund major repair/replacement projects such as the roof replacement of the State Office Building, tuckpointing of the lower levels of the Capitol Building, and roof replacement and renovation of the 5th floor of the Veterans Service Building.

Continual deferral of major repair/replacement projects will cause serious structural damage and deterioration to the asset and will significantly reduce the life expectancy of the buildings. Preventive maintenance and a planned, coordinated repair/replacement program are significantly less expensive to the state than emergency repairs or full replacement of facilities.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: PLANT MANAGEMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,080	1,130	1,110	1,123	1,123	1,144	1,144	27	1.2%
OPERATING EXPENSES	1,570	1,872	4,877	1,690	2,210	1,703	1,703	(2,836)	-42.0%
SUBTOTAL STATE OPERATIONS									
CAPITAL OUTLAY	54	1,022	0	0	0	0	0	(1,022)	-100.0%
Total Expenditures	2,704	4,024	5,987	2,813	3,333	2,847	2,847	(3,831)	-38.3%
<u>CHANGE ITEMS:</u>									
(B) SECURITY INFRASTRUCTURE-CAPITOL CMLPX	<u>FUND</u> GEN				520				
Total Change Items					520				
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	1,037	2,421	4,180	1,093	1,613	1,120	1,120		
STATUTORY APPROPRIATIONS:									
STATE GOVERNMENT SPECIAL REVENUE	9	0	0	0	0	0	0		
SPECIAL REVENUE	1,505	1,387	1,579	1,492	1,492	1,492	1,492		
AGENCY	153	216	228	228	228	235	235		
Total Financing	2,704	4,024	5,987	2,813	3,333	2,847	2,847		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	2,044	1,809	2,348	2,425	2,425	2,448	2,448		
AGENCY	171	189	228	228	228	235	235		
NONDEDICATED									
GENERAL	191	115	100	102	102	105	105		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: PLANT MANAGEMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
Total Revenues Collected	2,406	2,113	2,676	2,755	2,755	2,788	2,788
FTE BY EMPLOYMENT TYPE:							
FULL TIME	27.9	27.9	26.7	26.7	26.7	26.7	26.7
PART-TIME, SEASONAL, LABOR SER	0.1	0.2	0.2	0.2	0.2	0.2	0.2
OVERTIME PAY	0.4	0.2	0.2	0.2	0.2	0.2	0.2
Total Full-Time Equivalent	28.4	28.3	27.1	27.1	27.1	27.1	27.1

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Administration, Department of (Admin)
PROGRAM: Facilities Management
ACTIVITY: Plant Management Division (PMD)

ITEM TITLE: Security Infrastructure--Capitol Complex

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$520	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$520,000 in F.Y. 2000 for critically needed security equipment replacement and upgrades in the Capitol Complex.

RATIONALE:

The Department of Administration has been methodically upgrading and rebuilding electronic systems in the Capitol Complex and has been continually working to update each of these systems. As this process has proceeded, security needs of agencies have increased, the addition of a new office building has used up all capacity in the systems, and the systems are experiencing significant failures. Failures are a result of keeping equipment in service that has exceeded its useful life, corrosion of buried conductors, and damage that occurs as a result of construction that has been completed in the Capitol Complex over the last several years.

A predesign for replacement of these systems has been completed, and the Department of Administration has begun meeting with other agencies to ensure

continuity in all security systems in the Capitol Complex. Design was being completed with the intention of submitting a capital budget request to the 2000 Legislature. However, the addition of a new office building and an increase in overall failure of these systems has overloaded the capabilities of the existing systems, requiring an accelerated replacement schedule.

Each of these systems was evaluated for Year 2000 concerns. Initially, all systems appeared to be compliant and did not present any concerns. Recently, the Department of Administration has been notified that individual systems are compliant, but because of the way they are configured in the Capitol Complex, the total integration and interface of systems may not be compliant. Year 2000 concerns necessitate an acceleration of the replacement schedule to ensure continued operation of existing security systems and critical video/intercom switching equipment.

FINANCING:

Funding will provide for a turnkey replacement of equipment, installation, and training. Continued funding for operation of these systems after installation will be accomplished through existing operating budgets.

OUTCOMES:

Replacement of video/intercom switching systems will improve overall security in the Capitol Complex for state personnel and visitors. Equipment upgrades will include capacity for agencies to increase security as necessary, dependent on their evolving needs. Improved camera and intercom systems will allow for improved response time and tracking for Department of Public Safety personnel. Overall security in the Capitol Complex will become more reliable and will result in cost savings tied to continued repair issues of the existing equipment.

This replacement lays the infrastructure that will allow continued operation of security systems in the Capitol Complex. It also provides an infrastructure that will be expandable to meet the growing, evolving security needs of state agencies.

BUDGET ACTIVITY: Plant Management
PROGRAM: Facilities Management
AGENCY: Administration, Department of

2000-01 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 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001		ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
OPERATING REVENUES:						ASSETS:			
NET SALES	26,981.6	28,207.6	29,016.2	37,286.7	38,151.4	CURRENT ASSETS:			
LESS: COST OF SALES						CASH	5,758.0	3,196.3	3,382.2
GROSS PROFIT ON SALES	26,981.6	28,207.6	29,016.2	37,286.7	38,151.4	OTHER CURRENT ASSETS	1,050.2	3,868.4	3,187.9
OTHER REVENUE	658.5	695.1	402.3	623.0	623.7	TOTAL CURRENT ASSETS	6,808.2	7,064.7	6,570.1
NET REVENUES	27,640.1	28,902.7	29,418.5	37,909.7	38,775.1	NON-CURRENT ASSETS:	1,283.8	1,225.9	1,404.5
LESS: OPERATING EXPENSES:						TOTAL ASSETS	8,092.0	8,290.6	7,974.6
SALARIES	8,350.3	8,930.8	9,193.8	11,299.4	11,940.9	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	8,614.1	10,026.0	10,323.5	12,102.5	12,366.0	LIABILITIES:			
INDIRECT COSTS	487.1	508.8	559.4	1,281.6	962.9	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	199.2	186.1	107.3	133.8	144.7	DUE GENERAL FUND - CURRENT			
TOTAL OPERATING EXPENSES	17,650.7	19,651.7	20,184.0	24,817.3	25,414.5	MASTER LEASE - CURRENT	147.2	153.2	166.5
OPERATING INCOME (LOSS)	9,989.4	9,251.0	9,234.5	13,092.4	13,360.6	OTHER CURRENT LIABILITIES	1,292.3	1,433.7	1,620.2
NON-OPERATING REVENUES (EXPENSES)	(9,515.9)	(9,918.7)	(9,872.3)	(13,481.3)	(13,671.4)	TOTAL CURRENT LIABILITIES	1,439.5	1,586.9	1,786.7
INCOME (LOSS) BEFORE UNUSUAL ITEMS	473.5	(667.7)	(637.8)	(388.9)	(310.8)	NON-CURRENT LIABILITIES:			
UNUSUAL ITEMS	(213.3)	0.0	0.0	0.0	0.0	DUE GENERAL FUND - NON-CURRENT			
NET INCOME (LOSS)	260.2	(667.7)	(637.8)	(388.9)	(310.8)	MASTER LEASE - NON-CURRENT	308.6	251.3	370.6
BEGINNING RETAINED EARNINGS	5,119.1	5,359.1	5,470.0	4,832.2	4,443.3	OTHER NON-CURRENT LIABILITIES	320.5	318.1	320.8
PRIOR PERIOD ADJUSTMENT	(20.2)	778.6	0.0	0.0	0.0	TOTAL NON-CURRENT LIABILITIES	629.1	569.4	691.4
ENDING RETAINED EARNINGS	5,359.1	5,470.0	4,832.2	4,443.3	4,132.5	TOTAL LIABILITIES	2,068.6	2,156.3	2,478.1
FOOTNOTES TO STATEMENTS:						FUND EQUITY:			
						CONTRIBUTED CAPITAL	664.3	664.3	664.3
						RETAINED EARNINGS	5,359.1	5,470.0	4,832.2
						TOTAL FUND EQUITY	6,023.4	6,134.3	5,496.5
						TOTAL LIABILITIES & FUND EQUITY	8,092.0	8,290.6	7,974.6
RATE INCREASE/(DECREASE):									
Leases	2.30%	5.20%	1.60%	9.34%	0.66%				
Materials Transfer	10.70%	8.00%	8.00%	5.00%	5.00%				
ROJ & Alpha	5.50%	4.50%	4.50%	3.00%	3.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE):									
Leases	3.82%								
Materials Transfer	7.34%								
ROJ & Alpha	4.10%								

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2000-01 Biennial Budget

BUDGET ACTIVITY: Building Codes and Standards Division
PROGRAM: Facilities Management
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

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.

STRATEGIES AND PERFORMANCE:

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 structures corporations, manufactured home manufacturers and installers.

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 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.

Improved application of codes and standards will be 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. Public and user complaints involving quality and performance of buildings will be reduced.

Strong performance has been measured in meeting goals set in approval ratings of educational seminars, closing of manufactured housing complaints and adoption of model codes within 18 months of publication.

FINANCING INFORMATION:

This activity generates dedicated special revenue funds consisting of surcharge fees and other miscellaneous fees collected for plan review, inspections, licenses, certifications, and seals. In F.Y. 1997 the Building Codes and Standards Division also received nondedicated revenue in the amount of \$2,965,000.

BUDGET ISSUES:

The Building Codes and Standards Division is completing its reorganization and by December 1999 will have hired the 3 additional staff needed to meet statutory responsibilities.

Five new regional positions provide for inspections of public buildings and state licensed facilities with full time-staff instead of contract inspectors. These regional positions will also provide direct assistance to municipal officials, design professionals and the general public.

F. Y. 2001 will see the start of the adoption and education process for a whole new set of international model codes. The 3 major model code organizations (International Conference of Building Officials, Building Officials and Code Administrators International, and Southern Building Code Congress International) have combined to form the International Code Council (ICC) and will produce a family of international codes which will be available for Minnesota to adopt in F.Y. 2001-02.

To update and educate the building officials, design professionals and contractors to these new codes will require a concerted effort by the Building Codes and Standards Division, the Minnesota Department of Commerce, the Minnesota Society of the American Institute of Architects, the Consulting Engineers Council and the Builders Association of Minnesota. BCSD will increase its educational services in order to educate approximately 17,000 to 20,000 residential and commercial designers, contractors and inspectors before the new codes are adopted.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: BUILDING CODES & STANDARDS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,500	1,764	2,959	3,259	3,259	3,359	3,359	1,895	40.1%
OPERATING EXPENSES	693	1,055	841	841	841	841	841	(214)	-11.3%
SUBTOTAL STATE OPERATIONS	2,193	2,819	3,800	4,100	4,100	4,200	4,200	1,681	25.4%
Total Expenditures	2,193	2,819	3,800	4,100	4,100	4,200	4,200	1,681	25.4%
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
STATE GOVERNMENT SPECIAL REVENUE	2,193	2,819	3,800	4,100	4,100	4,200	4,200		
Total Financing	2,193	2,819	3,800	4,100	4,100	4,200	4,200		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
STATE GOVERNMENT SPECIAL REVENUE	947	4,607	4,200	4,300	4,300	4,400	4,400		
NONDEDICATED									
STATE GOVERNMENT SPECIAL REVENUE	2,966	0	0	0	0	0	0		
Total Revenues Collected	3,913	4,607	4,200	4,300	4,300	4,400	4,400		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	26.1	29.7	46.0	46.0	46.0	46.0	46.0		
PART-TIME, SEASONAL, LABOR SER	1.5	0.8	0.0	0.0	0.0	0.0	0.0		
OVERTIME PAY	0.2	0.3	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	27.8	30.8	46.0	46.0	46.0	46.0	46.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: Building Construction
PROGRAM: Facilities Management
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

The Division of State Building Construction (DSBC) provides a central resource for state agencies to obtain comprehensive architectural and engineering services to meet their facilities program needs. Major activities include capital budgeting, predesign, designer selection, construction, remodeling, renewal, asset preservation, hazardous materials abatement and indoor air quality assessments.

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. Clients served include the Capitol Complex, Center for Arts Education, Corrections, Economic Security, Human Services, Iron Range Resources & Rehabilitation Board, Residential Academies, Minnesota State Colleges and Universities (MnSCU), Revenue and the Veterans Home Board.

STRATEGIES AND PERFORMANCE:

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 projects and programs are all of critical importance because they involve life safety, are code related, or program driven.

Over many bienniums, additional programs have been added to DSBC's responsibility for managing, including statewide building access, Capital Asset Preservation and Replacement Account (CAPRA), hazardous materials abatement, underground storage tank removal, asset preservation, indoor air quality, and staff services provided to the Designer Selection Board. With this additional workload placed on staff, DSBC has had to contract out for needed additional architectural, engineering, and professional services in order to maintain an adequate level of service to its customer.

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. DSBC operations were organized into the following areas:

Business Support, Predesign Planning and Architectural Services, Engineering Services, Facilities Management, and Construction Management.

Experience has shown that renewal projects can be accomplished internally for approximately $\frac{1}{3}$ to $\frac{1}{2}$ the cost of purchasing consultant services. DSBC's knowledge and experience with state facilities and the ever-increasing regulations gives an economic advantage over the private sector.

FINANCING INFORMATION:

The Division of State Building Construction receives all operating funds from a General Fund appropriation. Appropriation increases have been received for Capital Budget Reform and for establishing a business operations unit.

Revenue is typically not 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 submitted for damage claims. Revenue received is dependent on decisions made by the trustees, subject to court approval.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: BUILDING CONSTRUCTION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,814	1,792	2,122	2,024	2,024	2,069	2,069	179	4.6%
OPERATING EXPENSES	132	974	405	320	320	323	323	(736)	-53.4%
OTHER EXPENSES	0	25	50	50	50	50	50	25	33.3%
SUBTOTAL STATE OPERATIONS	1,946	2,791	2,577	2,394	2,394	2,442	2,442	(532)	-9.9%
CAPITAL OUTLAY	4,913	15,927	5,981	0	0	0	0	(21,908)	-100.0%
Total Expenditures	6,859	18,718	8,558	2,394	2,394	2,442	2,442	(22,440)	-82.3%

<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2,156	3,199	2,623	2,394	2,394	2,442	2,442		
TRUNK HIGHWAY	0	464	0	0	0	0	0		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	25	48	150	0	0	0	0		
FEDERAL	4,569	14,348	5,608	0	0	0	0		
AGENCY	0	179	0	0	0	0	0		
GIFT	109	480	177	0	0	0	0		
Total Financing	6,859	18,718	8,558	2,394	2,394	2,442	2,442		

<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	0	0	25	0	0	0	0		
SPECIAL REVENUE	2	184	0	0	0	0	0		
FEDERAL	4,929	13,159	5,633	0	0	0	0		
AGENCY	1	180	1	0	0	0	0		
GIFT	149	135	1	0	0	0	0		
Total Revenues Collected	5,081	13,658	5,660	0	0	0	0		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: BUILDING CONSTRUCTION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	30.7	26.9	34.0	32.0	32.0	32.0	32.0
PART-TIME, SEASONAL, LABOR SER	0.1	1.5	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	30.8	28.4	34.0	32.0	32.0	32.0	32.0

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PROGRAM: Management Services

AGENCY: Administration, Department of (Admin)

PROGRAM PROFILE:

The Management Services program includes Admin Management, Financial Management and Reporting (FMR) and Human Resources (HR) which provide internal Admin support.

Other activities within this program provide statewide services:

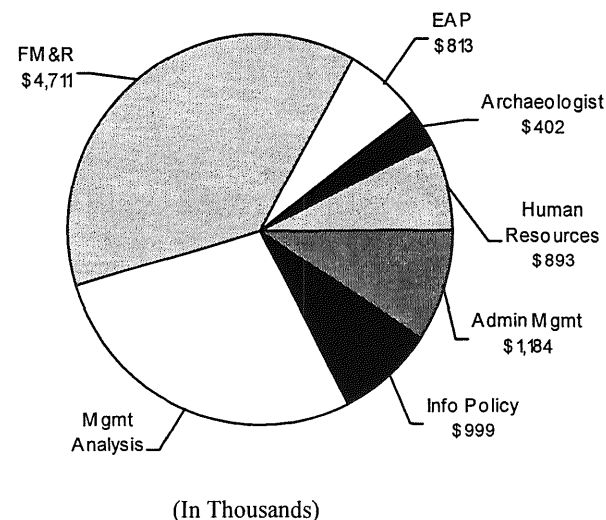
- **Management Analysis (MAD)**—state government's in-house management consulting organization.
- **Information Policy Analysis (IPA)**—provides guidance and technical assistance for, and promotes understanding of, data practices and records management issues, to government.
- **State Employee Assistance Program (EAP)**—provides consultation and counseling to state government and its employees regarding serious personal, family and workplace problems.
- **State Archaeologist**—sponsors, conducts and directs research and protection of the prehistoric and historic archaeology of Minnesota.

STRATEGIES AND PERFORMANCE:

Our focus is customer service and providing reliable and cost- effective services while striving to improve the quality and productivity of Minnesota government.

The program operates with both General Fund resources and revenue generated through an internal service fund.

1998-99 BIENNIUM
Budget by Program Activity
(All Funds)



BUDGET ISSUES:

The Employee Assistance Program has experienced a consistent increase in utilization of its clinical and organizational services since 1994.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base level funding and the following changes in the General Fund: \$50,000 in F.Y. 2000 and \$50,000 in F.Y. 2001 for the establishment of a Citizens' Suggestion Web Site; \$250,000 in F.Y. 2000 and \$250,000 in F.Y. 2001 for increased costs of the Employee Assistance Program; the elimination of base funding of \$192,000 in F.Y. 2000 and \$196,000 in F.Y. 2001 in the Office of the State Archaeologist. The Governor recommends that alternative sources of funding be secured for this purpose.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: MANAGEMENT SERVICES

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
ADMIN MANAGEMENT	697	592	592	627	627	652	652	95	8.0%
FINANCIAL MGMT & HUMAN RESOURC	1,238	2,696	2,908	2,619	2,619	2,660	2,660	(325)	-5.8%
MANAGEMENT ANALYSIS	564	583	658	679	729	695	745	233	18.8%
INFORMATION POLICY ANALYSIS	288	448	551	514	514	526	526	41	4.1%
STATE EMPLOYEE ASSISTANCE PROG	432	375	438	425	675	437	687	549	67.5%
OFFICE OF STATE ARCHAEOLOGIST	145	212	190	192	0	196	0	(402)	-100.0%
Total Expenditures	3,364	4,906	5,337	5,056	5,164	5,166	5,270	191	1.9%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) CITIZENS' SUGGESTION WEB SITE	GEN			50	50
(B) ELIMINATE FUNDING TO STATE ARCHAEOLOGIST	GEN			(192)	(196)
(B) EMPLOYEE ASSISTANCE PROGRAM FUNDING	GEN			250	250
Total Change Items				108	104

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	3,354	3,384	3,665	3,712	3,820	3,822	3,926
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	0	1,186	1,319	1,319	1,319	1,319	1,319
FEDERAL	0	284	316	0	0	0	0
GIFT	10	52	37	25	25	25	25
Total Financing	3,364	4,906	5,337	5,056	5,164	5,166	5,270

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	51.4	65.4	56.9	56.9	54.9	56.9	54.9
PART-TIME, SEASONAL, LABOR SER	2.0	1.2	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	53.4	66.6	56.9	56.9	54.9	56.9	54.9

2000-01 Biennial Budget

BUDGET ACTIVITY: Admin Management
PROGRAM: Management Services
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

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.

STRATEGIES AND PERFORMANCE:

Services provided to Admin include strategic direction, priority setting, policy setting, problem solving, and coordination for projects that affect all areas of the department. This activity responds to both gubernatorial and legislative directives. Communication internal to Admin is coordinated through this activity including a bi-weekly departmentwide newsletter, divisional operations and rate reviews, and monthly management team meetings.

FINANCING INFORMATION:

This activity operates through a General Fund appropriation.

BUDGET ISSUES:

None.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: ADMIN MANAGEMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	476	495	538	526	526	551	551	44	4.3%
OPERATING EXPENSES	175	97	54	101	101	101	101	51	33.8%
SUBTOTAL STATE OPERATIONS	651	592	592	627	627	652	652	95	8.0%
PAYMENTS TO INDIVIDUALS	46	0	0	0	0	0	0	0	
Total Expenditures	697	592	592	627	627	652	652	95	8.0%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	697	592	592	627	627	652	652		
Total Financing	697	592	592	627	627	652	652		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	0	2	0	0	0	0	0		
Total Revenues Collected	0	2	0	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	9.3	8.0	8.4	8.4	8.4	8.4	8.4		
Total Full-Time Equivalent	9.3	8.0	8.4	8.4	8.4	8.4	8.4		

2000-01 Biennial Budget

BUDGET ACTIVITY: Financial Mgmt. & Reporting and Human Resources
PROGRAM: Management Services
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

The Financial Management & Reporting Division (FMR) provides a centralized and integrated accounting system for the Department of Administration. The goal is to provide and promote financial management to the department. The department operates with both fee-generated and legislatively appropriated funding sources. Major responsibilities include all aspects of budgeting, financial reporting, and accounting system maintenance and transaction processing.

The Human Resources Division serves the employees of the Department of Administration by providing the following services:

- wage and benefits administration
- staffing
- employee development
- labor contract administration
- affirmative action program administration
- health, safety and wellness program administration
- consultation on human resource management issues

This activity also provides fiscal and human resources 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 Ombudsperson for Families, and the Governor's Residence Council.

STRATEGIES AND PERFORMANCE:

The staff members of FMR act as liaisons and financial consultants for Administration's operating divisions. This activity strives to provide timely financial services and support while conforming to Generally Accepted Accounting Principles (GAAP). This facilitates the effective management of financial resources of the department as governed by laws, policies and procedures.

Throughout the next biennium, the following challenges face the Human Resources Division:

- The low unemployment rate and labor market shortage necessitates increased attention to recruitment and retention of qualified workers, departmentwide.
- Market demand for information technology skills requires increased attention to specialized recruitment, retention, salary administration, and benefits administration geared toward this occupational family.
- Partnering with the Department of Employee Relations (DOER) and other state agencies is necessary to streamline, simplify, and automate the selection process with the goal toward gaining greater efficiency and attracting qualified applicants.

FINANCING INFORMATION:

This activity operates through a General Fund appropriation.

BUDGET ISSUES:

With the growing demand for services and the ever-changing work environment throughout the department, it is consistently and increasingly difficult to provide the management of our financial and human resources within the constraints of existing general fund appropriations.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: FINANCIAL MGMT & HUMAN RESOURC

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,029	2,040	1,184	1,173	1,173	1,212	1,212	(839)	-26.0%
OPERATING EXPENSES	209	656	1,724	1,446	1,446	1,448	1,448	514	21.6%
SUBTOTAL STATE OPERATIONS	1,238	2,696	2,908	2,619	2,619	2,660	2,660	(325)	-5.8%
Total Expenditures	1,238	2,696	2,908	2,619	2,619	2,660	2,660	(325)	-5.8%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	1,228	1,174	1,236	1,275	1,275	1,316	1,316		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	0	1,186	1,319	1,319	1,319	1,319	1,319		
FEDERAL	0	284	316	0	0	0	0		
GIFT	10	52	37	25	25	25	25		
Total Financing	1,238	2,696	2,908	2,619	2,619	2,660	2,660		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	0	1,186	1,319	1,319	1,319	1,319	1,319		
FEDERAL	0	300	300	0	0	0	0		
GIFT	28	211	40	25	25	25	25		
Total Revenues Collected	28	1,697	1,659	1,344	1,344	1,344	1,344		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	22.7	36.9	23.2	23.2	23.2	23.2	23.2		
PART-TIME, SEASONAL, LABOR SER	0.4	0.1	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	23.1	37.0	23.2	23.2	23.2	23.2	23.2		

2000-01 Biennial Budget

BUDGET ACTIVITY: Management Analysis
PROGRAM: Management Services
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

The Management Analysis Division (MAD) is state government's in-house management consulting organization. Its mission is to increase the quality and productivity of government and public institutions, through improved resource management and creation and implementation of effective operational strategies. The division provides consulting services to state agencies, the governor, the legislature, public institutions, and local units of government. The division charges fees for work requested by state agencies, public institutions, and local units of government. Statewide productivity/quality improvement efforts are funded by the general fund. 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 including productivity and quality improvement to state agencies, public institutions, and local units of government.

The Management Analysis Division's consulting business was created in 1985 at a time when management practices were undergoing rapid change in all sectors of the nation. There was also a growing public demand for accountability by government agencies. The pace of change is still high, the demand for accountability continues, and the pressure for public agencies to respond to customer needs efficiently is increasing. The use of Management Analysis Division services has expanded substantially in the last 2 years as MAD has increased services to Minnesota State Colleges and Universities (MnSCU) and local governments, and has begun providing services to the University of Minnesota. MAD expects demand to increase as it establishes its presence and develops a track record in

public higher education. In addition, a new administration will undoubtedly highlight certain state agencies or programs for study or significant organizational change.

Improving the quality and productivity of state government is primarily a state responsibility. MAD's presence guarantees the availability of management consulting services tailored to the public sector's unique management circumstances and problems. MAD's clients are free to contract with the non-profit and private sectors for management consulting services. MAD's services are coordinated with those of the Employee Assistance Program and the Bureau of Mediation Services, assuring that the continuum of services needed are provided without overlap or duplication.

STRATEGIES AND PERFORMANCE:

Consulting services are provided at the direction of the governor or legislature, or 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.

MAD's objective is to achieve an 85% satisfied rating from client surveys and/or interviews on consulting services provided. Specific questions are asked to determine if the client found the services useful and/or if the client was using the services provided.

The Management Analysis Division provides fair, objective, and comprehensive perspectives in its consulting services. At times, this means providing clients with information they do not want to hear. Such information may be vital to an organization's desire to improve, but the benefits may not be seen for a period of time after MAD completes its work.

FINANCING INFORMATION:

MAD's projected revenue for F.Y. 1999 is \$1,230,528 and its General Fund appropriation is \$597,000. The revolving fund makes up 67% of MAD's total revenue and the General Fund 33%. Consulting fees are expected to increase by no more than 4% in F.Y. 2000 and 3% in F.Y. 2001.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: MANAGEMENT ANALYSIS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	442	517	570	530	575	546	591	79	7.3%
OPERATING EXPENSES	122	66	88	149	154	149	154	154	100.0%
SUBTOTAL STATE OPERATIONS	564	583	658	679	729	695	745	233	18.8%
Total Expenditures	564	583	658	679	729	695	745	233	18.8%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) CITIZENS' SUGGESTION WEB SITE	GEN				50		50		
Total Change Items					50		50		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	564	583	658	679	729	695	745		
Total Financing	564	583	658	679	729	695	745		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	8.0	8.4	9.8	9.8	9.8	9.8	9.8		
PART-TIME, SEASONAL, LABOR SER	0.2	0.6	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	8.2	9.0	9.8	9.8	9.8	9.8	9.8		

BUDGET ACTIVITY: Management Analysis
PROGRAM: Management Services
AGENCY: Administration, Department of

2000-01 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 1997	EST/ACT FY 1998	ESTIMATED FY 1999	PROJECTED FY 2000	PROJECTED FY 2001		ACTUAL FY 1997	EST/ACT FY 1998	ESTIMATED FY 1999
OPERATING REVENUES:						ASSETS:			
NET SALES	971.0	1,089.6	1,230.5	1,242.8	1,255.2	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	28.6	58.8	76.4
GROSS PROFIT ON SALES	971.0	1,089.6	1,230.5	1,242.8	1,255.2	OTHER CURRENT ASSETS	163.0	202.0	238.1
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	191.6	260.8	314.5
NET REVENUES	971.0	1,089.6	1,230.5	1,242.8	1,255.2	NON-CURRENT ASSETS:	0.0	3.4	2.7
LESS: OPERATING EXPENSES:						TOTAL ASSETS	191.6	264.2	317.2
SALARIES	1,006.4	798.3	935.0	963.1	991.9	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	124.5	166.9	145.1	149.5	153.9	LIABILITIES:			
INDIRECT COSTS	1.3	44.9	100.5	103.5	106.6	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	0.0	0.9	0.9	0.9	0.9	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	1,132.2	1,011.0	1,181.5	1,217.0	1,253.3	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	(161.2)	78.6	49.0	25.8	1.9	OTHER CURRENT LIABILITIES	97.8	86.7	89.3
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	97.8	86.7	89.3
NET INCOME (LOSS)	(161.2)	78.6	49.0	25.8	1.9	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	249.8	48.0	130.3	179.3	205.1	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	(40.6)	3.7	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
ENDING RETAINED EARNINGS	48.0	130.3	179.3	205.1	207.0	OTHER NON-CURRENT LIABILITIES	45.8	47.2	48.6
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	45.8	47.2	48.6
						TOTAL LIABILITIES	143.6	133.9	137.9
						FUND EQUITY:			
						CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0	0.0
						RETAINED EARNINGS	48.0	130.3	179.3
						TOTAL FUND EQUITY	48.0	130.3	179.3
						TOTAL LIABILITIES & FUND EQUITY	191.6	264.2	317.2
RATE INCREASE/(DECREASE):	3.00%	3.00%	6.00%	4.00%	3.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE):	3.80%								

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Administration, Department of (Admin)
PROGRAM: Management Services
ACTIVITY: Management Analysis

ITEM TITLE: Citizens' Suggestion Web Site

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$50	\$50	\$50	\$50
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$50,000 in F.Y.2000 and \$50,000 in F.Y. 2001 for an ongoing Citizens' Suggestion Web Site.

RATIONALE:

The Citizens' Suggestion Web Site, operated by the Management Analysis Division, will provide an opportunity for the "average" citizen to offer views and comments on the operation and services of government.

Suggestions related to specific policies or programs will be forwarded to the responsible agency for review, consideration and possible implementation.

This program will add one more way Minnesotans may participate in their government and make their views known on issues that impact their lives.

FINANCING:

Funding of \$50,000 a year will provide the web site infrastructure and part-time staffing to coordinate the receipt and transfer of suggestions to the appropriate staff agencies for evaluation.

OUTCOMES:

The goal of the Governor is to provide good government service to Minnesotans while streamlining the operation of government. This will lead to services that fit the need at the least cost in a timely and responsive manner. Getting the views and ideas of citizens on how to do this is a critical first step.

2000-01 Biennial Budget

BUDGET ACTIVITY: Information Policy Analysis Division (IPA)
PROGRAM: Management Services
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

The information society generates vast amounts of information about people, institutions and programs. Citizens and policy makers must confront and deal with complex issues of individual privacy, oversight of government and other institutions, including access to data and the role information plays in institutional effectiveness.

Increasingly, there are international developments concerning these issues. A number of federal and state laws, including the Minnesota Data Practices Act and the Records Management Act, have been enacted to deal with some issues. The Information Policy Analysis Division (IPA) functions as a key resource to citizens, state, local and other government agencies, private sector institutions, and the legislature. IPA assists institutions and citizens in efforts to either comply with or effectively use existing law, and to develop and implement new law and policy. Increased use of the Internet and other forms of technology, and the emergence of the global economy mean that even more complex issues are being presented. In Minnesota's consideration of those issues, IPA strives to help policy makers produce public policy that effectively accommodates contending and compelling interests.

STRATEGIES AND PERFORMANCE:

IPA provides informational, educational, consultative and referral services; prepares, issues and publicizes interpretive advisory opinions concerning rights of subjects of data, classifications of data and public access to data; accepts and retains records management filings; advises state and local agencies on records management issues; and, processes appeals from challenges to the accuracy and completeness of data. IPA assists the legislature and participants in the legislative process by offering research, expert testimony, neutral analysis and advice on sensitive issues, bill drafting and compromise enabling services. Measures of IPA's performance include the number of phone requests for information and advisory opinions issued.

Phone Inquiries Received:

<u>Fiscal Year</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1,994</u>
From citizens	3,187	3,265	2,378	3,209
From agencies	4,541	5,180	5,251	3,898
Totals	7,728	8,445	7,629	7,107

Advisory Opinions Issued

<u>Calendar Year</u>	<u>1998*</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Number of opinions	41	55	64	55

* As of September 1, 1998

FINANCING INFORMATION:

The IPA division is 100% general funded.

BUDGET ISSUES:

Assuming there are no changes to the role and scope of IPA, the current level of funding, if maintained in F.Y. 2000 and 2001, will enable IPA to perform its activities. This level of funding will also allow IPA to retain staff hired to perform activities associated with the training program established in M. S. Sec. 13.073, assist in the handling of appeals concerning the accuracy and completeness of data, and conduct legal and other research.

IPA has been part of the staff supporting the Information Policy Task Force created in the 1997 legislative session.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: MANAGEMENT SERVICES

Activity: INFORMATION POLICY ANALYSIS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	270	327	362	373	373	385	385	69	10.0%
OPERATING EXPENSES	18	121	189	141	141	141	141	(28)	-9.0%
SUBTOTAL STATE OPERATIONS	288	448	551	514	514	526	526	41	4.1%
Total Expenditures	288	448	551	514	514	526	526	41	4.1%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	288	448	551	514	514	526	526		
Total Financing	288	448	551	514	514	526	526		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	3	0	0	0	0	0	0		
Total Revenues Collected	3	0	0	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	4.6	5.2	6.0	6.0	6.0	6.0	6.0		
PART-TIME, SEASONAL, LABOR SER	0.0	0.5	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	4.6	5.7	6.0	6.0	6.0	6.0	6.0		

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2000-01 Biennial Budget

BUDGET ACTIVITY: Employee Assistance Program (EAP)
PROGRAM: Management Services
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

The State Employee Assistance Program (EAP) is a vital 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 look to EAP for counseling and consultation regarding serious personal, family and workplace problems that negatively affect employee performance and organizational effectiveness. By providing easy access to confidential, solution-focused counseling, EAP is able to help state employees and their families resolve personal crises and improve their job performance. EAP strengthens organizational effectiveness within state government by providing direct consultation to management and labor regarding complex worksite issues such as organizational change, harassment and workplace violence.

The state EAP was created by executive order in 1978 and since that time, there has been a consistent increase in the utilization of program services. EAP has increased the counseling services provided directly to employees as access to mental health and chemical dependency services through employee health plans is currently limited to conditions meeting a "medical necessity" standard. Also, with the rapid rate of change in work organizations and the increase in workplace violence, EAP has expanded its scope of organizational services to include management consultation, critical incident response and violence prevention training. Barring dramatic changes in existing health care systems and work organizations or a dramatic decline in the incidence of violence in our communities, the utilization of EAP services will continue to increase.

STRATEGIES AND PERFORMANCE:

EAP strategies:

- In-person assessment and brief counseling (1 to 4 sessions) for state employees and their dependents experiencing serious personal problems. These problems include but are not limited to relationship difficulties, mental health problems, grief and loss, alcohol or drug abuse, addictions, legal or financial problems, domestic abuse, parenting problems, and aging parent concerns.

- In-person counseling and coaching for state employees experiencing work-related problems such as deteriorating performance, harassment, mid-career burnout, stress management problems, conflicts with coworkers or supervisors, critical incidents, and threats of violence.
- Consultation to managers and supervisors regarding organizational change, performance management problems, workplace communication, critical incidents, workplace violence, harassment, and work group problems.

Performance Summary:

Because access to EAP services can help to enhance employee performance and organizational effectiveness, EAP strives to increase the utilization of program services.

- In F.Y. 1998, the number of new clients served was 26% higher than in F.Y. 1996.
- Management consultation services provided directly to state agencies have more than doubled since F.Y. 1996.
- EAP provider network has expanded 21% in the past 2 years. State employees and their dependents can now directly access program services at 34 locations throughout Minnesota.
- The total number of counseling hours provided to state employees and their dependents via the provider network has increased 22% since F.Y. 1997.

Because personal problems can negatively affect work performance, EAP consistently works to minimize the impact of personal problems on the job. The most recent service outcome survey of EAP clients having performance problems indicated the following.

Since using EAP services:

- 64% report their relationship with their supervisor has improved.
- 73% report relationships with coworkers have improved.
- 80% report their ability to concentrate while at work has improved.

2000-01 Biennial Budget

BUDGET ACTIVITY: Employee Assistance Program (EAP)
PROGRAM: Management Services
AGENCY: Administration, Department of (Admin)
(Continuation)

- 79% report their general attitude about work has improved.
- 64% report their work attendance has improved.
- 84% report their overall effectiveness on the job has improved.

FINANCING INFORMATION:

This activity operates through a General Fund appropriation with additional funding since 1996 from the Department of Employee Relations' (DOER) State Employee Group Insurance Program (SEGIP). The SEGIP funding is ending.

BUDGET ISSUES:

Since 1994 EAP has experienced a consistent increase in the utilization of its clinical and organizational services. However, the base budgets from the last 3 bienniums have been insufficient to support this increased demand for program services. EAP is effectively positioned to provide brief, solution-focused counseling to employees and their dependents throughout all of Minnesota for problems not covered under their current health plan provisions. Additionally, EAP is well equipped to directly assist state agencies with complex organizational issues as the EAP staff has a thorough understanding of the policies, procedures and organizational dynamics unique to state employment.

With the utilization of program services exceeding its base budget, EAP has been forced to secure additional funds from DOER. SEGIP has transferred \$150,000 per year since 1996 to EAP, but these transfers were explicitly designed to be temporary remedies pending EAP's opportunity to seek an increase in its legislative appropriation.

The consistent increase in the utilization of program services necessitates an increase in the base level funding for EAP. Based on utilization trends since 1994 and the corresponding budget shortfalls, a base level budget increase of \$250,000 per year is required to resolve EAP's long-standing financial difficulties.

There is no way to predict exactly what the utilization of EAP's counseling and organizational services will be in the future. However, until there are dramatic changes made in the current health care delivery systems or until state agencies eliminate all of their complex organizational challenges ranging from performance management problems to workplace violence, the utilization of EAP services is certain to increase.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: MANAGEMENT SERVICES

Activity: STATE EMPLOYEE ASSISTANCE PROG

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	375	385	362	214	314	226	326	(107)	-14.3%
OPERATING EXPENSES	57	(10)	76	211	361	211	361	656	993.9%
SUBTOTAL STATE OPERATIONS	432	375	438	425	675	437	687	549	67.5%
Total Expenditures	432	375	438	425	675	437	687	549	67.5%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) EMPLOYEE ASSISTANCE PROGRAM FUNDING	GEN				250		250		
Total Change Items					250		250		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	432	375	438	425	675	437	687		
Total Financing	432	375	438	425	675	437	687		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	5.8	5.0	7.5	7.5	7.5	7.5	7.5		
PART-TIME, SEASONAL, LABOR SER	1.4	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	7.2	5.0	7.5	7.5	7.5	7.5	7.5		

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Administration, Department of (Admin)
PROGRAM: Management Services
ACTIVITY: Employee Assistance Program (EAP)

ITEM TITLE: Employee Assistance Program Funding

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$250	\$250	\$250	\$250
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ___ No <u>X</u>				
If yes, statutes(s) affected:				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION: G02-ci16.bop

The Governor recommends an increase of \$250,000 per year to the State Employee Assistance Program's General Fund appropriation.

RATIONALE:

Since 1994, EAP has experienced a consistent increase in the utilization of its clinical and organizational services. EAP has increased the counseling services provided directly to employees, as access to mental health and chemical dependency services through employee health plans is currently limited to conditions meeting a "medical necessity" standard. Also, with the rapid rate of change in work organizations and the increase in workplace violence, EAP has responded by expanding its scope of organizational services to include management consultation, critical incident response and violence prevention training. However, the last 3 biennial budgets for EAP have been insufficient to support this increased demand for program services. The budget initiative being proposed would ensure the ability of EAP to continue to meet this increasing demand for program services.

In order to address the budget shortfalls occurring in the last 3 bienniums, EAP secured additional funds from the Department of Employee Relations (DOER). However, these transfers were explicitly designed as temporary remedies pending an increase in EAP's General Fund appropriation.

The probable consequences of a failure to secure the increase in EAP's general fund appropriation would be a reduction in services provided to state employees and agencies. Specifically, the number of counseling sessions made available to employees and their dependents would have to be reduced from 4 to 2. Additionally, the organizational services, (i.e., management consultations, crisis intervention, etc) provided directly to state agencies would be reduced. An additional possible consequence would be the elimination of 1 FTE position in EAP's internal program component. Because all 3 branches of state government currently utilize EAP services, the impact of a reduction in service would be widespread.

FINANCING:

The \$250,000 increase to EAP's current base budget would be used to provide short-term counseling (1 to 4 sessions) to state employees and their dependents and for management consultation and crisis response services provided directly to state agencies. Given the demand for these services has increased in greater Minnesota as well as in the metropolitan area, these additional funds would be distributed between the internal program component and EAP's contracted vendor network as dictated by the actual utilization of program services.

OUTCOMES:

Obtaining the requested increase to its General Fund appropriation would enable EAP to continue to meet the existing demand from state agencies and employees for clinical and organizational services. As has been its practice beginning in F.Y. 1993, EAP will continue to evaluate the program's effectiveness via a formal service outcome study and a client satisfaction survey.

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2000-01 Biennial Budget

BUDGET ACTIVITY: State Archaeologist, Office of the
PROGRAM: Management Services
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

Established in 1963, the Office of the State Archaeologist (OSA) is charged in statute 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.

Under M.S. 138.31-138.42 (the "Field Archaeology Act"), licensure through OSA is required for field archaeology undertaken on lands owned, leased by or subject to the paramount right of the state or its subdivisions, as well as on lands or waters 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 archaeological resources.

Minnesota's "Private Cemeteries Act" (M.S. 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 and private lands or waters. Authentication of burials is conducted under the sole auspices of OSA per this statute. Objective and accurate identification of such burials early in the development process is critical to the timely and cost-effective completion of public and private construction projects throughout the state.

OSA clients include, but are not limited to, the Minnesota Department of Transportation; cultural resource management firms; the Minnesota Indian Affairs Council; development associations; county historical societies; the State Historic Preservation Office; local heritage preservation commissions; academic institutions; and other public and private agencies.

STRATEGIES AND PERFORMANCE:

One of OSA's chief priorities is the timely review and licensing of archaeological projects that have the potential to impact public construction schedules (predominantly federally funded and therefore subject to the federal section 106 process). This review process includes the development of archaeological investigation strategies that reflect the state's interest in identifying and protecting its archaeological heritage, but that are at the same time compatible with construction processes and timetables.

The prompt identification and authentication of human burial sites, especially those whose presence (or absence) may affect construction processes, is a major program priority. OSA works in collaboration with public and private developers, local historic preservation commissions, federal agencies and others to achieve this objective.

OSA's ability to "protect and preserve" archaeological sites primarily involves the development of plans for limiting or mitigating damage to such sites. This occurs regularly during the course of license-related project review. Archaeological data and objects are protected through the licensing process (and OSA's enforcement authority), as well as by OSA's involvement in the process of curating and conserving recovered materials and data.

OSA nominally has the authority to direct construction-related archaeological projects and to sponsor and conduct fundamental research into the prehistoric and historic archaeology and heritage of Minnesota. Under statute, the State Archaeologist, acting as the state's representative, has a pre-eminent role in such efforts.

FINANCING INFORMATION:

The program operates through General Fund appropriations.

The legislature provided a onetime appropriation of \$30,000 for the F.Y. 1998-99 biennium to support the development of a system for advising local governments of burial sites within their jurisdiction, as required under provisions of M.S. 307.08.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: OFFICE OF STATE ARCHAEOLOGIST

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	61	100	111	113	0	117	0	(211)	-100.0%
OPERATING EXPENSES	84	111	79	79	0	79	0	(190)	-100.0%
SUBTOTAL STATE OPERATIONS	145	211	190	192	0	196	0	(401)	-100.0%
CAPITAL OUTLAY	0	1	0	0	0	0	0	(1)	-100.0%
Total Expenditures	145	212	190	192	0	196	0	(402)	-100.0%

CHANGE ITEMS:	FUND				
(B) ELIMINATE FUNDING TO STATE ARCHAEOLOGIST	GEN			(192)	(196)
Total Change Items				(192)	(196)

FINANCING BY FUND:					
DIRECT APPROPRIATIONS:					
GENERAL	145	212	190	192	0
Total Financing	145	212	190	192	0

FTE BY EMPLOYMENT TYPE:					
FULL TIME	1.0	1.9	2.0	2.0	0.0
Total Full-Time Equivalent	1.0	1.9	2.0	2.0	0.0

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Administration, Department of (Admin)
PROGRAM: Management Services
ACTIVITY: State Archaeologist, Office of the

ITEM TITLE: Eliminate Funding to the State Archaeologist

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(192)	\$(196)	\$(196)	\$(196)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. 138.31-138.42

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the General Fund appropriation to the Office of the State Archaeologist be eliminated. Base reductions of \$192,000 in F.Y. 2000 and \$196,000 in F.Y. 2001 would be realized. The Governor recommends that the Office secure other means of financing to continue operations.

RATIONALE:

The base budget reductions recommended by the Governor reflect his firmly held views that government should only do what is critical and important and that not everything the state currently does meets that test. Therefore, current spending must be continuously evaluated and lower priority spending eliminated whenever possible. Within the limited time available, only a limited number of reductions have been identified. However, these reductions should be taken as indicative of how the budget will be approached in the future.

FINANCING:

Some of the criteria applied in identifying these spending reductions are:

- Expenditures should reflect a proper role of government.
- Lower priority expenditures should be eliminated.
- Not every new idea has to be financed with added money.
- Eliminate narrow interests that benefit a few at the expense of many.
- Eliminate expenditures that duplicate the efforts of others.
- Eliminate expenditures that shift user costs to the general taxpayer.

OUTCOMES:

The Governor recognizes that the functions of the Office of the State Archaeologist are valuable, however, those functions should not be financed by the taxpayer. Rather, the office would be better funded by private, not-for-profit or fee-based activities.

2000-01 Biennial Budget

PROGRAM: Fiscal Agent

AGENCY: Administration, Department of (Admin)

PROGRAM PROFILE:

This program has been established to meet the administrative needs of the ever growing grant and other monies Admin receives from the state and federal government, that are not directly related to the department's mission . In most cases, these grants and other allocations are pass-through monies appropriated by the state legislature to fund special projects outside of Admin. These monies are appropriated to Admin and in turn distributed to grant recipients, or for other purposes, based on laws, statutes, policies, and procedures.

Activities included in this program are:

- **Developmental Disability Council (DDC)** —Federal program supplemented with a small state General Fund appropriation, working on activities that result in increased independence, productivity, integration and inclusion of people with developmental disabilities and their families in the community.
- **System of Technology to Achieve Results (STAR)**—Federal program with a state General Fund appropriation in the F.Y. 1998-99 biennium, working under the federal mandate that requires the development and implementation of a statewide, comprehensive, consumer-responsive program of technology-related assistance for the over 700,000 Minnesotans of all ages with disabilities.
- **Public Broadcasting**—Grant administration program carried out for the legislature under M.S. 129D.11-16. This activity includes Public Television, Public Radio and Twin Cities Regional Cable Channel. This activity identified as a separate agency in biennial budget.
- **In Lieu of Rent**—Legislative funds appropriated to Admin to cover the costs of space used by the legislature, congressionally chartered veterans organizations, Services of the Blind vendors, and ceremonial space.
- **Miscellaneous Grants**—Monies appropriated to Admin for special legislative projects. These projects include the State Band, the Minnesota Children's Museum, and many construction grants to political sub-divisions throughout Minnesota.

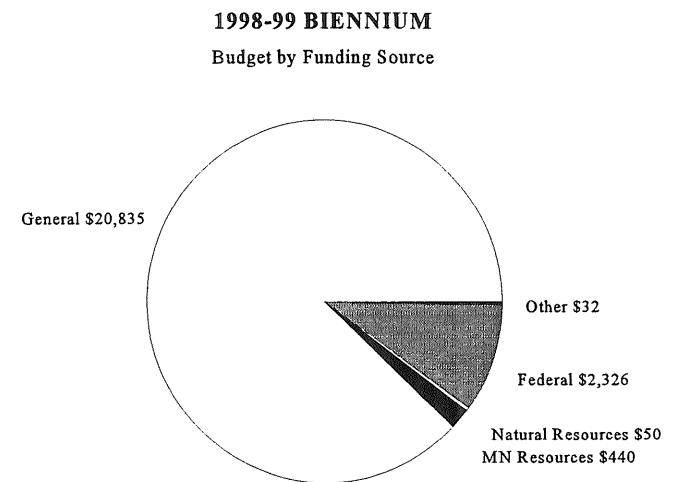
- **Miscellaneous Studies**—Monies appropriated to Admin for special studies or research type projects. These have included such projects as a pretrial, presentence study, a snowmobile gasoline consumption study and a watercraft fuel study.

STRATEGIES AND PERFORMANCE:

Each of the activities within this program are established and operate under authority of federal mandates or specific state legislation. Emphasis is placed on fulfilling the intent of the specific legislation and it varies considerably with each activity. Processes are established and maintained to process transactions, track information, and report in various formats the information required and desired by various audiences. Contracts and agreements are an integral function of this program.

FINANCING INFORMATION:

This activity is funded primarily through General Fund appropriations and federal grant appropriations.



(Figures in thousands)

* Only includes construction grants through the contract and grant agreement

2000-01 Biennial Budget

PROGRAM: Fiscal Agent
AGENCY: Administration, Department of (Admin)
(Continuation)

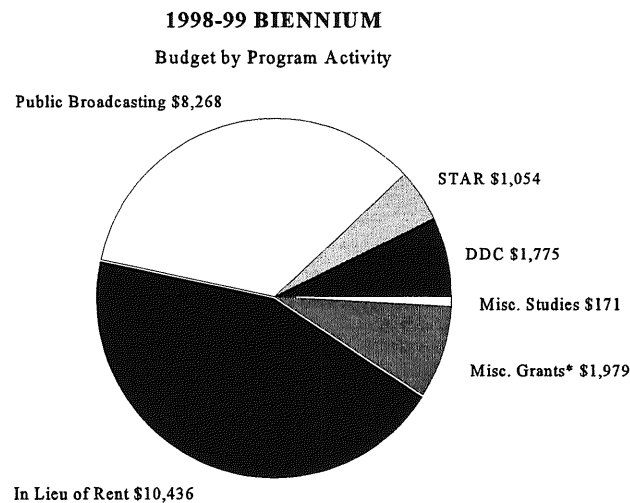
process and those funded by a General Fund appropriation. There are several grants from recent legislative sessions that are not yet through the process.

BUDGET ISSUES:

Federal funding for the System of Technology to Achieve Results (STAR) will not be available after 9-30-99.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base level funding and the following increases from the General Fund: \$210,000 in F.Y. 2000 for Augmentative and Alternative Communication Education and Recycling grants to citizens with expressive communications disorders; \$450,000 in F.Y. 2000 and \$450,000 in F.Y. 2001 for the operation and grant program of the System of Technology to Achieve Results (STAR) Program.



(Figures in thousands)

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: FISCAL AGENT

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
DEVELOPMENTAL DISABILITIES C	943	1,369	1,036	1,037	1,037	1,039	1,039	(329)	-13.7%
SYSTEM OF TECHNOLOGY TO ACHIEV	747	737	580	0	660	0	450	(207)	-15.7%
MISC GRANTS	177	1,502	477	162	162	162	162	(1,655)	-83.6%
MISC STUDIES	348	21	150	0	0	0	0	(171)	-100.0%
Total Expenditures	2,215	3,629	2,243	1,199	1,859	1,201	1,651	(2,362)	-40.2%

CHANGE ITEMS:	FUND			
(B) AUGMENTATIVE & ALTERNATIVE COMMUNICA	GEN		210	
(B) TECHNOLOGY RELATED ASSISTANCE FOR INDIV	GEN		450	450
Total Change Items			660	450

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	511	1,308	848	234	894	236	686
MINNESOTA RESOURCES	0	440	0	0	0	0	0
STATE GOVERNMENT SPECIAL REVENUE	85	0	0	0	0	0	0
NATURAL RESOURCES	0	0	50	0	0	0	0
HIGHWAY USERS TAX DISTRIBUTION	0	21	0	0	0	0	0
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	1	1	0	0	0	0	0
FEDERAL	1,618	1,849	1,345	965	965	965	965
GIFT	0	10	0	0	0	0	0
Total Financing	2,215	3,629	2,243	1,199	1,859	1,201	1,651

FTE BY EMPLOYMENT TYPE:							
FULL TIME	8.6	7.9	7.7	7.7	11.7	7.7	11.7
PART-TIME, SEASONAL, LABOR SER	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total Full-Time Equivalent	9.4	8.7	8.5	8.5	12.5	8.5	12.5

2000-01 Biennial Budget

BUDGET ACTIVITY: Developmental Disabilities Council (DDC)
PROGRAM: Fiscal Agent
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE: The mission of the Developmental Disabilities Council (DDC) is to work toward assuring that persons with developmental disabilities receive the necessary support to achieve increased independence, productivity, and integration and inclusion into the community. Authority for this program is contained in the Developmental Disabilities Assistance and Bill of Rights Act (DD Act) (P.L. 104-183).

The Minnesota Governor's Council on Developmental Disabilities was created in 1971 by executive order. The council is comprised of 27 members.

STRATEGIES AND PERFORMANCE: Under the DD Act, not less than 65% of each year's federal funds must be allocated to priority area activities that result in increased independence, productivity, integration and inclusion of people with developmental disabilities and their families in the community. The Minnesota DDC allocates funding according to the federal law. The majority of grant funds are invested in leadership programs for youth, parents of young children with developmental disabilities and adults with disabilities, and for families from culturally diverse communities.

Council goals and objectives are set out in a 3-Year State Plan; the most recent plan was submitted and approved for F.F.Y. 1998-2000.

Since 1990, youth, parents of children with developmental disabilities, adults with disabilities, and families from culturally diverse communities have participated in leadership training programs designed to teach skills and promote positive partnerships with policymakers:

- Approximately 421 youth with disabilities have learned community leadership skills in inclusive youth leadership programs;
- More than 400 individuals (parents of children with developmental disabilities and adults with disabilities) are Minnesota Partners in Policymaking™ graduates;
- A total of 74 parents are graduates of a leadership training program in the African American community and 31 parents are graduates of a leadership training program in the Native American community;

- A total of 2,590 direct care workers have attended 132 training sessions at 30 Technical Colleges campuses, and 24 individuals have been trained to teach sessions through the Minnesota Statewide Direct Care Training Initiative;
- Forty young adults have learned about independent community work opportunities during a 2-year employment project; 10 young adults are employed in jobs of their choosing, earning minimum wage, and receiving individual support services;
- Since 1993, more than 4,400 people participated in 54 statewide training conferences and 252 presentations were made to approximately 40,000 people; and
- During the past 2 years, more than 24,000 publications, CD-ROMs, and other resource materials have reached approximately 3,600 individuals and organizations.

FINANCING INFORMATION: The council allocates grant funds on an annual basis to carry out programs/activities under the priority areas of Leadership and Employment.

	Dollars in Thousands				
	Actual 1997	Actual 1998	Budgeted 1999	Est 2000	Est 2001
Budget Activity Summary					
Federal \$					
Grants for Leadership & Employment	\$535	\$302.2	\$458.6	\$445.1	\$445.1
Administration	338	338	338	338	338
State \$					
State Match Administration	46	46	46	46	46
State Funds support a training initiative for direct care workers.					
Direct Care Training	25	25	25	-0-	-0-
TOTAL	\$944	\$711	\$867	\$829	\$829

BUDGET ISSUES: The council's annual federal budget is part of the Congressional appropriation for the US Department of Health and Human Services. Level funding is expected for F.F.Y. 1999 (\$965,379).

In F.F.Y. 1994, the federal budget was not settled until the 3rd quarter of the fiscal year and the council's funds were reduced by 8%. Only 1% of that reduction has been restored.

The General Fund appropriation of \$45,923 is less than the required match amount. Grant recipients provide the balance of the match requirement.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: FISCAL AGENT

Activity: DEVELOPMENTAL DISABILITIES C

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	151	185	182	186	186	188	188	7	1.9%
OPERATING EXPENSES	360	148	85	84	84	84	84	(65)	-27.9%
SUBTOTAL STATE OPERATIONS	511	333	267	270	270	272	272	(58)	-9.7%
PAYMENTS TO INDIVIDUALS	3	0	0	0	0	0	0	0	
LOCAL ASSISTANCE	429	1,036	769	767	767	767	767	(271)	-15.0%
Total Expenditures	943	1,369	1,036	1,037	1,037	1,039	1,039	(329)	-13.7%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	71	71	71	72	72	74	74		
STATUTORY APPROPRIATIONS:									
FEDERAL	872	1,298	965	965	965	965	965		
Total Financing	943	1,369	1,036	1,037	1,037	1,039	1,039		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
FEDERAL	834	1,298	965	965	965	965	965		
Total Revenues Collected	834	1,298	965	965	965	965	965		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	2.9	3.3	3.1	3.1	3.1	3.1	3.1		
PART-TIME, SEASONAL, LABOR SER	0.1	0.4	0.4	0.4	0.4	0.4	0.4		
Total Full-Time Equivalent	3.0	3.7	3.5	3.5	3.5	3.5	3.5		

2000-01 Biennial Budget

BUDGET ACTIVITY: System of Technology to Achieve Results (STAR)
PROGRAM: Fiscal Agent
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

STAR (A System of Technology to Achieve Results) is funded primarily by a grant from the national Institute on Disability and Rehabilitation Research under title I of Public Law 103-218. The federal mandate requires the development and implementation of a statewide, comprehensive, consumer-responsive program of technology-related assistance for the over 700,000 Minnesotans of all ages with disabilities. The STAR program administers activities in each of the federal priority areas:

- availability of services
- consumer involvement and outreach
- interagency coordination
- advocacy and systems change
- training and technical assistance
- public awareness

STAR is the designated agency to receive these federal funds. No other agency has an advocacy and systems change mandate to provide consumer-directed assistive technology services to all individuals of all ages with all disabilities and in every activity of life.

STRATEGIES AND PERFORMANCE:

Regional Assistive Technology Grants to rural areas to provide technology to meet the needs of individuals with disabilities through Internet access, employment search opportunities, training and development of new technology; 8 grants that serve 400 individuals each year.

Consumer Action Networks: Consumer-directed and -implemented grants linking rural residents with disabilities to resources for training, assessment, provision and follow-up services of assistive technology in 6 areas of the state serving over 500 people each year.

Toll free telephone assistance and newsletter reach over 4,000 consumers,

professionals, and family members each month on commercially available products and funding assistance.

Funding Directory: STAR produces the only statewide comprehensive directory of funding assistance for individuals in need of assistive technology.

Scholarships to conferences of international significance: Seventy-eight teams of parents, consumers, and educators of assistive technology attended Closing the Gap Conference and RESNA, both in Minneapolis during the current biennium.

Five new protections for consumers of assistive technology enacted in law or policy.

Individual assistance and advocacy to an average of 300 individuals per month.

Over 2000 individuals trained on availability rights and use of assistive technology each year.

Administered interagency program on augmentative and alternative communication education and recycling.

Established 6 equipment loan and recycling programs that are now operating in the nonprofit sector.

FINANCING INFORMATION:

This activity is funded through a federal grant and a General Fund appropriation.

For the 1998-99 biennium, the Minnesota Legislature appropriated \$175,000 in each year of the biennium to the STAR program to compensate for a statutorily mandated reduction in federal funds.

BUDGET ISSUES:

As of 9-30-99, the STAR program will cease to exist unless federal or state funds are appropriated for these purposes. At this writing, federal action is anticipated, but no legislation has been introduced.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: FISCAL AGENT

Activity: SYSTEM OF TECHNOLOGY TO ACHIEV

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	245	243	244	0	175	0	175	(137)	-28.1%
OPERATING EXPENSES	210	206	111	0	131	0	131	(55)	-17.4%
SUBTOTAL STATE OPERATIONS	455	449	355	0	306	0	306	(192)	-23.9%
LOCAL ASSISTANCE	292	288	225	0	354	0	144	(15)	-2.9%
Total Expenditures	747	737	580	0	660	0	450	(207)	-15.7%
<u>CHANGE ITEMS:</u>									
	<u>FUND</u>								
(B) AUGMENTATIVE & ALTERNATIVE COMMUNICA	GEN				210				
(B) TECHNOLOGY RELATED ASSISTANCE FOR INDIV	GEN				450		450		
Total Change Items					660		450		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	0	175	200	0	660	0	450		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	1	1	0	0	0	0	0		
FEDERAL	746	551	380	0	0	0	0		
GIFT	0	10	0	0	0	0	0		
Total Financing	747	737	580	0	660	0	450		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
FEDERAL	702	551	380	0	0	0	0		
Total Revenues Collected	702	551	380	0	0	0	0		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: FISCAL AGENT

Activity: SYSTEM OF TECHNOLOGY TO ACHIEV

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	5.0	4.6	4.6	4.6	8.6	4.6	8.6
PART-TIME, SEASONAL, LABOR SER	0.7	0.4	0.4	0.4	0.4	0.4	0.4
Total Full-Time Equivalent	5.7	5.0	5.0	5.0	9.0	5.0	9.0

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Administration, Department of (Admin)
PROGRAM: Fiscal Agent
ACTIVITY: System of Technology to Achieve Results (STAR)

ITEM TITLE: Augmentative and Alternative Communication Education and Recycling

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$210	\$-0-	\$210	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$210,000 to the STAR program, Minnesota Department of Administration, for the purpose of developing a statewide Augmentative and Alternative Communication (AAC) Education and Recycling grant program.

RATIONALE:

This request is based on the 1997 report to the Minnesota State Legislature in which a cost-effective mechanism for distribution of augmentative and alternative communication devices was recommended. During the 1998 legislative session a pilot project was funded through the Department of Human Services and administered by the STAR Program (Ch. 407, art. 3, sec. 68). This project identified used augmentative and alternative communication devices of 18 partner agencies in the 7-county metro and southwestern Minnesota counties, established a database of this equipment and administered the collection, maintenance and

repair and distribution of the equipment as well as provided training to over 200 providers and consumers with expressive communication disabilities. This appropriation would allow for the expansion of this database, education and recycling efforts to be expanded statewide.

FINANCING:

The appropriation would fund the grants program and its administration. STAR has a long history of consumer-directed grant review. It is anticipated that the staff of the STAR Program could administer the grant program.

OUTCOMES:

The program will allow for the current successful pilot program to be expanded to serve all Minnesotans with expressive communication disorders. Education of professionals, consumers and family members will result in awareness of the full range of AAC systems available. This education, combined with the trial use of systems, will be developed in consultation with individuals with expressive communication disorders and administered by the STAR Program and its reviewers. The effective use of recycled equipment may result in fewer new devices needing to be purchased with public funds at the state and local level.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Administration, Department of (Admin)
PROGRAM: Fiscal Agent
ACTIVITY: System of Technology to Achieve Results (STAR)

ITEM TITLE: Technology Related Assistance for Individuals with Disabilities

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$306	\$306	\$306	\$306
- Grants	\$144	\$144	\$144	\$144
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 256.482, subd. 5A

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$900,000 to the STAR Program, Minnesota Department of Administration, for the purpose of developing a statewide technology-related assistance program for individuals of all ages with disabilities.

RATIONALE:

The STAR Program of the Governor's Advisory Council of Technology for People with Disabilities has been a national model in developing a consumer-driven system of technology-related assistance for Minnesotans of all ages with disabilities. Due to the sunset of the Technology Related Assistance for Individuals with Disabilities Act, federal funding will not be available for this purpose after 9-30-99. While STAR has successfully served many Minnesotans' assistive technology needs, its work is not done. As of August 1998, STAR has filed for nonprofit status. This appropriation, along with the private funds STAR plans to secure, will allow the program to continue to serve the technology-related needs of individuals with disabilities.

FINANCING:

Using activity-based costing, STAR anticipates the funding to be used in the following ways:

RATR Grants	11%
Funding Assistance	4%
Self-Advocacy	8%
Training	10%
Information/Referral	8%
Policy Advocacy	15%
Publications	7%
Interagency Coordination	16%
CAN Grants	21%

OUTCOMES:

STAR anticipates outcomes as follows, which allow for increased independence of individuals with disabilities in work, home, school and community life.

- **Regional Assistive Technology Grants** to rural areas provide technology to meet the needs of individuals with disabilities through Internet access, employment search opportunities, training and development of new technologies; 8 grants 400 individuals served each year.
- **Consumer Action Networks** consumer-directed and -implemented grants linking rural residents with disabilities with resources for training, assessment, provision and follow-up services of assistive technology in 6 areas of the state serving over 500 people each year.
- **Toll free telephone** assistance and newsletter reach 4,000 consumers, professionals and family members each month on commercially available products and funding assistance.
- **Funding Directory.** STAR produces the only statewide comprehensive directory of funding assistance for individuals in need of assistive technology; over 100,000 distributed to date.
- **Scholarships to conferences of international significance.** Seventy-eight teams of parents, consumers and educators of assistive technology attended Closing the Gap Conference during the biennium.
- **Five new protections** for consumers of assistive technology enacted in law or policy.
- **Individual assistance and advocacy** to an average of 300 individuals per month.

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2000-01 Biennial Budget

BUDGET ACTIVITY: Miscellaneous Grants
PROGRAM: Fiscal Agent
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

This activity provides management and administrative support for various grants appropriated by the legislature to Admin. These grants are primarily pass-through funds where Admin acts as a conduit to fulfill legislative intent. Administrative functions include budgeting, accounting and financial reporting.

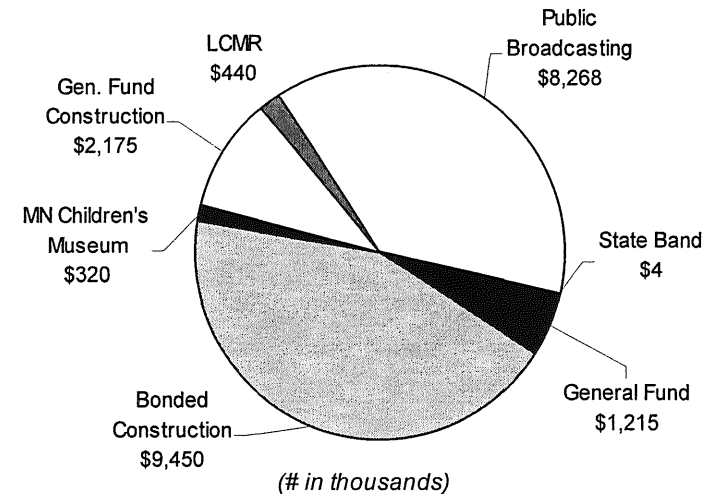
Many of these grants are for construction projects that involve a cooperative effort between Admin, Finance and the Attorney General's Office. Construction grant processes are guided by M.S.16A.695, 16B.335 and agency policy and procedure. Many financial, legal and process concerns play out in varying degrees for each individual grant. The ultimate goal being to ensure that final construction fulfills the enacted legislation.

Other grants managed and administered by Admin include:

- State Band
- Minnesota Children's Museum
- LCMR
- Oil Overcharge
- Public Broadcasting

Typically, number of grants managed and administered by this activity ranges between 26 and 30 grants per fiscal year.

1998-99 Biennium Total Grant Funds by Type



BUDGET ISSUES:

The department receives no operating funds for these grants. All funds appropriated go directly to the grantee. This puts an extreme burden on agency staff who add this work to their regular full-time responsibilities. All grants require varying amounts of staff time to carry out the responsibilities and requirements associated with the grant process. Construction grants require the most time for the managing and administering functions. There are many legal, contractual, financial and process concerns associated with each of these grants, that at times require full time attention.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: FISCAL AGENT

Activity: MISC GRANTS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	28	0	0	0	0	0	0	0	
OPERATING EXPENSES	0	1	0	0	0	0	0	(1)	-100.0%
SUBTOTAL STATE OPERATIONS	28	1	0	0	0	0	0	(1)	-100.0%
LOCAL ASSISTANCE	149	1,501	477	162	162	162	162	(1,654)	-83.6%
Total Expenditures	177	1,502	477	162	162	162	162	(1,655)	-83.6%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	92	1,062	477	162	162	162	162		
MINNESOTA RESOURCES	0	440	0	0	0	0	0		
STATE GOVERNMENT SPECIAL REVENUE	85	0	0	0	0	0	0		
Total Financing	177	1,502	477	162	162	162	162		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
STATE GOVERNMENT SPECIAL REVENUE	333	507	600	0	0	0	0		
Total Revenues Collected	333	507	600	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	0.7	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	0.7	0.0	0.0	0.0	0.0	0.0	0.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: Miscellaneous Studies
PROGRAM: Fiscal Agent
AGENCY: Administration, Department of (Admin)

ACTIVITY PROFILE:

This activity provides the budget location to account for, track and report on legislative studies that have been appropriated to Admin. Examples include:

- An evaluation of the Minnesota State Correctional System
- A study involving the issues of Pretrial, Presentence, or Conditional Release
- A Snowmobile Gasoline Consumption study
- A Watercraft Fuel study

STRATEGIES AND PERFORMANCE:

These studies can be conducted by contracting with a vendor or through the Management Analysis Division of Admin. Legislation language guides this process.

FINANCING INFORMATION:

The legislature appropriates funds for specific projects.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ADMINISTRATION DEPT

Program: FISCAL AGENT

Activity: MISC STUDIES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
OPERATING EXPENSES	348	21	150	0	0	0	0	(171)	-100.0%
SUBTOTAL STATE OPERATIONS	348	21	150	0	0	0	0	(171)	-100.0%
Total Expenditures	348	21	150	0	0	0	0	(171)	-100.0%
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	348	0	100	0	0	0	0		
NATURAL RESOURCES	0	0	50	0	0	0	0		
HIGHWAY USERS TAX DISTRIBUTION	0	21	0	0	0	0	0		
Total Financing	348	21	150	0	0	0	0		

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2000-01 Biennial Budget

AGENCY: Capitol Area Architectural and Planning Board (CAAPB)

AGENCY DESCRIPTION:

The Capitol Area Architectural and Planning Board (CAAPB) was established by the 1967 legislature to preserve and enhance the dignity, beauty, and architectural integrity of the Capitol, the buildings immediately adjacent to it, the Capitol grounds, and the Capitol Area. It is a 10 member board, chaired by the Lt. Governor, and has both House and Senate representation. The agency employs 5 full-time staff and is supported by a 3-member architectural/planning Advisory Committee.

Our mission is 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.

PERFORMANCE SUMMARY:

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 occurs within a long-range framework for the area's physical development. Our recently completed *Comprehensive Plan and the Specific Actions for Implementation of the Comprehensive Plan* are the framework for the CAAPB's daily agenda, along with the *Zoning and Design Rules* for a 60 block area around Minnesota's Capitol building.

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.

Our services focus on that which we traditionally do best--good design, thorough and coordinated planning, and achieving more for the public dollar, 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 is long-range.

In 1998-99, the agency assisted in the design or implementation of the following projects: Korean War Veterans Memorial; Woman's Suffrage Memorial Garden; Department of Revenue (all phases Design/Construction); predesign of Labor Interpretive Center (LIC); new *Comprehensive Plan for the Minnesota State Capitol Area*; and Capitol Building projects (i.e. terraces and cafeteria).

REVENUES:

This activity generated dedicated gift revenue of \$6,000 in F.Y. 1998 and \$3,000 in F.Y. 1999.

EXPLANATION OF AGENCY'S BUDGET PLAN:

While the CAAPB budget request for F.Y. 2000-01 is based on the current F.Y. 1998-99 spending level, its level of responsibility and work has outpaced its budget for several years. This has imperiled the CAAPB's ability to meet an increasing demand for design review and other services, and has increased the workload for current staff.

ISSUES AFFECTING AGENCY'S OPERATIONS:

Despite the smallest staff in 11 years, financial paperwork and contract management has grown significantly, at times diverting us from our primary purpose of long-range planning. Issues directly affecting CAAPB operations are:

Unanticipated Project Requests

Besides paying salaries for its permanent employees (the executive secretary, 2 planners, and 2 support staff), the budget provides funding for a committee of 3 architects or planners. This committee is required by state law to review and advise the board on architectural and planning matters. The committee's level of activity, outside CAAPB control, is contingent upon others who need 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

2000-01 Biennial Budget

AGENCY: Capitol Area Architectural and Planning Board (CAAPB)
(Continuation)

to achieve its primary goal of long-range planning; that is, keeping and maintaining a Comprehensive Plan for the Capitol Area.

The necessary involvement of CAAPB staff on other state agency projects is not compensated however. This leaves the CAAPB operating funds compromised when major fast-track projects require our participation.

Equipment/software Replacement

Our computer stations will need replacement by the year 2000 to keep current with technology and systems, and to collaborate with other agencies such as the Department of Administration and the Department of Finance with whom we interface with on a regular basis.

Unanticipated Local Area Network (LAN) Charges

In 1997, after the agency's operating budget for F.Y. 1998-99 was proposed, LAN support charges were increased 7% to \$3,100 per user in 1999. We anticipate an additional 10% increase in F.Y. 2000-01.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget. The Governor has also included funding to improve this agency's technology capacity in the Small Agency Infrastructure Initiative under the Minnesota Office of Technology.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: CAPITOL AREA ARCHITECT
Program: CAPITOL AREA ARCH PLANNING BD
Activity: CAPITOL AREA ARCH PLANNING BD

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	251	232	244	243	243	250	250	17	3.6%
OPERATING EXPENSES	133	165	236	59	59	56	56	(286)	-71.3%
SUBTOTAL STATE OPERATIONS	384	397	480	302	302	306	306	(269)	-30.7%
Total Expenditures	384	397	480	302	302	306	306	(269)	-30.7%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	381	392	479	302	302	306	306		
STATUTORY APPROPRIATIONS:									
GIFT	3	5	1	0	0	0	0		
Total Financing	384	397	480	302	302	306	306		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GIFT	1	2	0	0	0	0	0		
Total Revenues Collected	1	2	0	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	5.1	4.5	4.4	4.4	4.4	4.4	4.4		
Total Full-Time Equivalent	5.1	4.5	4.4	4.4	4.4	4.4	4.4		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **CAPITOL AREA ARCHITECT**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	289	289	289	289	0	0	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	5	1	5	1	0	0	0	0
SMALL AGENCY OPERATIONAL EXPE	1	2	1	2	0	0	0	0
2000-01 SAL. & BEN. BASE	7	14	7	14	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	13	17	13	17	0	0	0	0
BASE BUDGET	302	306	302	306	0	0	0	0

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2000-01 Biennial Budget

AGENCY: Public Broadcasting

AGENCY PROFILE:

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, 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 600,000 cabled households in the 7-county metro area as mandated by state statutes and designated by the Minnesota Cable Communications Board in 1985.

Legislative Television

An additional appropriation is included in Public Broadcasting for Legislative

Television. Funding is in the form of a grant for public information television transmission of legislative activities. The legislature oversees this grant.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a phased reduction and elimination of the state aid granted to Public Broadcasting. Recognizing that Legislative Television has a direct and important relationship to the business of government, funding will be sustained in the next biennium at current base levels. Public Radio support will be reduced by 25% in F.Y. 2000, 50% in F.Y. 2001, and fully removed in the subsequent years. Public Television and Twin Cities Cable TV will be reduced by 25% in F.Y. 2001, 50% in F.Y. 2002 and fully reduced in subsequent years.

The Governor believes that phasing the reductions in state support will give these entities the time to explore other revenue raising opportunities for which the Governor believes there is capacity.

The base budget reductions recommended throughout the budget by the Governor reflect his firmly-held views that government should only do what is critical and important, and that not everything the state currently does meets that test. Therefore, current spending must be continuously evaluated and lower priority spending eliminated whenever possible. Within the time available, only a limited number of reductions have been identified. However, these reductions should be taken as indicative of how the budget will be approached in the future.

Some of the criteria applied in identifying these spending reductions are:

- not every new idea has to be financed with additional funds
- lower priority expenditure items should be eliminated
- expenditures should reflect a proper role of government
- eliminate spending on special items that have narrow benefit
- eliminate expenditures that duplicate the efforts of others
- eliminate expenditures that shift user costs to the general taxpayer.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC BROADCASTING

Program: PUBLIC BROADCASTING

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
PUBLIC TELEVISION	1,938	2,487	2,313	2,050	2,050	2,050	1,537	(1,213)	-25.3%
PUBLIC RADIO	320	2,290	410	814	610	814	407	(1,683)	-62.3%
TWIN CITIES REGIONAL CABLE CHA	25	25	25	25	25	25	19	(6)	-12.0%
LEGISLATIVE T V	300	305	441	441	441	441	441	136	18.2%
Total Expenditures	2,583	5,107	3,189	3,330	3,126	3,330	2,404	(2,766)	-33.3%

CHANGE ITEMS:	FUND		
(P) PHASE OUT STATE AID	GEN		(204) (926)
Total Change Items			(204) (926)

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	2,583	5,107	3,189	3,330	3,126	3,330	2,404
Total Financing	2,583	5,107	3,189	3,330	3,126	3,330	2,404

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **PUBLIC BROADCASTING**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	3,179	3,179	3,179	3,179	0	0	0	0
BASE ADJUSTMENTS								
BIENNIAL APPROPRIATIONS	1,037	1,037	1,037	1,037	0	0	0	0
ONE-TIME APPROPRIATIONS	<886>	<886>	<886>	<886>	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	151	151	151	151	0	0	0	0
BASE BUDGET	3,330	3,330	3,330	3,330	0	0	0	0

2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Finance, Department of

AGENCY MISSION AND VISION:

The *Mission* of the department is to improve the performance of state government for the people of Minnesota by providing leadership in statewide financial planning and financial resource management. To accomplish our mission, we will:

- provide consistent, accurate, reliable and useful financial information
- administer business processes supported by cost effective, flexible systems
- improve access to information by managers and the public
- advance statewide information management techniques and technologies
- ensure that state employees are trained in statewide business practices
- perform critical thinking concerning the use of public resources

KEY SERVICE STRATEGIES:

- ensure the integrity of the state's financial resources
- accurately present the state's financial condition
- facilitate informed decision making
- improve accountability and promote the prudent use of state resources

The department budget is organized into 2 service delivery programs.

- **State Financial Management program:** Provides the budget, accounting, personnel, and payroll systems that are used by all state agencies. These systems issue 1.3 million prompt payments to state vendors each year, and accurately pay 48,000 state and MnSCU workers every 2 weeks.

The program's staff produce the state operating and capital budgets, analyze state budget and financial issues, manage state accounting and payroll systems and policy, perform economic analysis and financial forecasting, issue state debt instruments, and manage state cash and debt resources.

- **Information and Management Services program:** Provides technical and management support to the State Financial Management program and the statewide administrative systems.

The department is committed to customer service, and will measure its performance by its ability to:

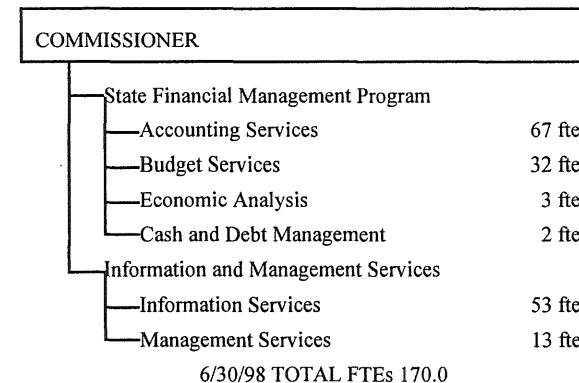
- improve the quality and effectiveness of statewide administrative systems
- provide sound financial analysis and prudent budget recommendations
- improve financial accountability in state agencies
- simplify or eliminate unneeded processes and controls
- improve the quality of our products and services

OPERATING ENVIRONMENT:

The primary external factors affecting the department include:

- the public demand that government services be effective and efficient
- the continual change of computer technology
- competition for skilled professional staff

ORGANIZATION/PROGRAM STRUCTURE:



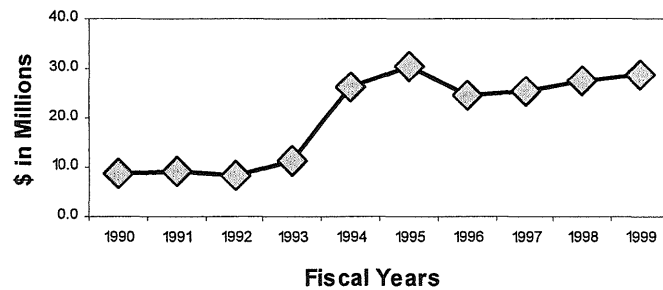
The FTE figure reflects filled positions only. The vacancy rate was 11% in F.Y. 1998. The department anticipates a 3% vacancy rate during the next biennium.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Finance, Department of
(Continuation)

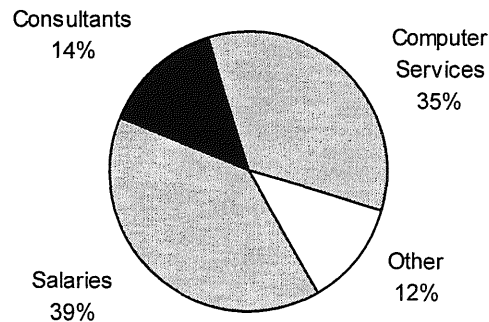
TRENDS AND PERSPECTIVE:

Total Budget - All Funds



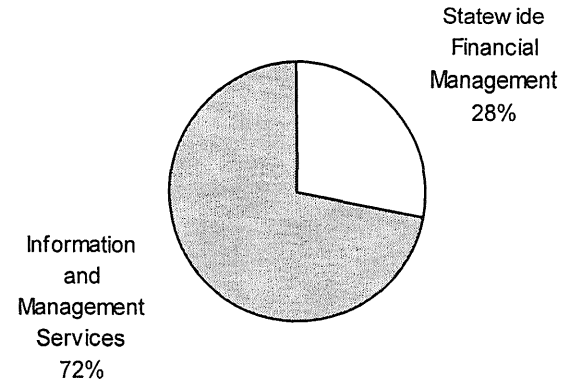
**F.Y. 1998-99 Expenditures by
Category**

Total \$54.5 Million



**F.Y. 1998-99 Expenditures by
Program**

Total \$54.5 Million



GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget and a HR/Payroll System upgrade so that the state's CORE business systems remain viable. The Governor also recommends a continuation of the billing authority to help fund the ongoing operating costs of the statewide systems.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: FINANCE DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
STATE FINANCIAL MANAGEMENT	7,190	7,116	8,155	7,805	7,805	7,993	7,993	527	3.5%
INFORMATION & MGMT SERVICES	17,411	18,895	20,397	13,457	19,766	13,585	19,789	263	.7%
Total Expenditures	24,601	26,011	28,552	21,262	27,571	21,578	27,782	790	1.4%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	19,918	22,984	24,988	21,262	23,704	21,578	23,915
STATUTORY APPROPRIATIONS:							
GENERAL	4,683	3,027	3,564	0	3,867	0	3,867
Total Financing	24,601	26,011	28,552	21,262	27,571	21,578	27,782

FTE BY EMPLOYMENT TYPE:							
FULL TIME	167.6	167.2	182.1	179.8	179.8	179.9	179.9
PART-TIME, SEASONAL, LABOR SER	2.6	1.6	2.8	1.3	1.3	1.0	1.0
OVERTIME PAY	2.0	1.2	1.6	1.6	1.6	1.6	1.6
Total Full-Time Equivalent	172.2	170.0	186.5	182.7	182.7	182.5	182.5

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Finance, Department of

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$22,751	\$22,751	\$45,502
<u>BASE ADJUSTMENT</u>			
Attorney General Costs	18	38	56
Documented Space Rental	61	62	123
Statewide Administrative Systems	11	11	22
2000-01 Salary & Benefit Base	303	616	919
Transfers Between Agencies	(1,866)	(1,884)	(3,750)
Uniform Pension Bill Reduction	(16)	(16)	(32)
<u>BASE LEVEL (for 2000 and 2001)</u>	\$21,262	\$21,578	\$42,840
<u>CHANGE ITEMS</u>			
HR/Payroll System Upgrade Maintenance	<u>2,442</u>	<u>2,337</u>	<u>4,779</u>
GOVERNOR'S RECOMMENDATION	\$23,704	\$23,915	\$47,619

Brief Explanation of Budget Decisions:

- *Base adjustments:*
 - An increase for the salary and benefits relating to the partner agency agreement with the Attorney General's office.
 - An increase for a documented rent increase.
 - An increase representing the department's share of the cost of operating the Statewide Administrative Systems.
 - A 3% increase for department staff salary and benefits.
 - A reduction that transfers the funding for accounts receivable activities in the departments of Revenue and Human Services and the Attorney General's office to those agencies. Funding for these activities had been included in the Department of Finance's budget. The F.Y. 2000-01 budget request for these activities are now included in those respective agencies' budgets.
 - A reduction to reflect the Uniform Pension Bill.

■ *Reallocations:*

The department reallocated funds to address human resource management.

■ *Billing Authority:*

The legislature funded part of the F.Y. 1998-99 operating costs for the Statewide Administrative Systems by instructing the department to bill agencies for their use of the systems. The department is requesting continuation of this authority in the F.Y. 2000-01 biennium in the amount of \$3,867 each year

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget and a HR/Payroll System upgrade so that the state's CORE business systems remain viable. The Governor also recommends a continuation of the billing authority to help fund the ongoing operating costs of the statewide systems.

2000-01 Biennial Budget

PROGRAM: State Financial Management
AGENCY: Finance, Department of (DOF)

PROGRAM PROFILE:

The State Financial Management program consists of the units providing direct financial management services to decisionmakers, agencies, and the public.

Accounting Services

- sets statewide accounting and payroll policies and procedures
- manages the accounting and payroll systems
- provides training and assistance to agencies on the state's financial systems
- reviews and helps agencies develop systems of internal controls
- produces the state's Comprehensive Annual Financial Report (CAFR)
- coordinates the collection of state agency Accounts Receivable

Budget Services

- directs the state's operating and capital budget processes
- coordinates expenditure forecasts and develops financial reports and analyses
- assists agencies in implementing their budgets
- provides financial information and analysis to the governor and legislature

Economic Analysis

- prepares forecasts of the state's economic outlook and major revenues

Cash and Debt Management

- accesses the financial markets to provide financing for capital projects
- administers the state's tax exempt bonding law
- establishes the state's banking services

Key issues the program will address over the next 2 years include:

- providing expertise to the upgrade of the state's human resource and payroll system (SEMA4)
- improving the communication of budget and financial information to key decision makers and the public
- assisting the governor and legislature in dealing with the financial challenges posed by an uncertain economy and public desires for better performance from state government at a reasonable cost
- refinance outstanding state general obligation bonds at lower interest rates

STRATEGIES AND PERFORMANCE:

The State Financial Management program primarily uses the following strategies to carry out the department's mission and meet its goals:

- providing information and analysis to decisionmakers
- setting financial policy and accounting system standards for state agencies
- regulating state government financial activities
- providing technical assistance to ensure compliance with standards and with generally accepted governmental accounting principles

The program's performance in meeting the department's goals is measured in the following ways:

Goal-Ensure the Integrity of the State's Financial Resources

- Reduce the number of internal control and budget-related audit findings.

Internal Control Audit Findings:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000-01</u>
Target	70	63	54	52	50/year
Actual	77	56	*		

*F.Y. 1998 audits not completed yet.

Goal-Accurately Present the State's Financial Condition

- Continue to receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The department has received this award annually for the last 13 years.

Goal-Facilitate Informed Decision Making

- Reduce variances between forecast and actual revenues and spending.

Percentage Variance between Actual and Forecast Revenues:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000-01</u>
Target	4.5%	4.5%	4.5%	4.5%	4.5%
Actual	5.8%	9.7%	9.4%		

2000-01 Biennial Budget

PROGRAM: State Financial Management
AGENCY: Finance, Department of (DOF)
 (Continuation)

Percentage Variance between Actual and Forecast Expenditures:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000-01</u>
Target	3.0%	3.0%	3.0%	3.0%	3.0%
Actual	1.5%	2.4%	1.4%		

In addition, the department will:

- Provide accurate, timely financial information, and useful analysis of that information. A principal measure of effectiveness in meeting this goal is whether or not the Governor, Legislature, and public find the information and analysis useful in understanding the state's fiscal condition and budget options.
- Increase the clarity and usefulness of the various information products it publishes, including the Economic Forecasts, Capital and Operating Budget summaries and detail books, the CAFR, and other periodic reports.

Goal-Improve Accountability and the Prudent Use of State Resources

Sell State Bonds at or below Market Index Rates:

	<u>May 1996</u>	<u>Nov. 1996</u>	<u>Aug. 1997</u>	<u>June. 1998</u>	<u>Nov. 1998</u>
Index Rate	5.24%	5.18%	4.72%	4.50%	4.27%
Actual Rate	<u>5.39%</u>	<u>5.18%</u>	<u>4.72%</u>	<u>4.50%</u>	<u>4.31%</u>
Variance	0.15%	0.00%	0.00%	0.00%	0.04%

Percentage of Accounts Receivable older than 90 days:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000-01</u>
Target	63%	61%	59%	69%	67%/65%
Actual	66%	71%	74%		

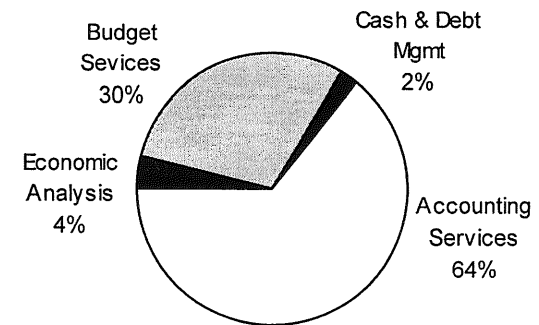
Percentage of Vendor Payments within 30 days:

- Target percentage is 97% for all years
- F.Y. 1994-96 average was 97.7%, F.Y. 1997 was 97.8%, F.Y. 1998 was 97.1%

FINANCING INFORMATION:

Salaries represent 86 % of program funding, supporting 106.8 FTEs. The program has remained relatively stable over many years until the implementation of the new accounting and payroll systems in 1995. At that time, staffing increased to manage the more complex systems.

Statewide Financial Mgmt Base Budget
 F.Y. 2000-01



BUDGET ISSUES:

Increasing salary costs are attributed to general inflation and the competitive labor market for experienced and highly skilled employees. Setting statewide financial management standards, regulating state financial operations, and providing quality budget and financial policy analysis cannot easily be performed with entry-level staff.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: FINANCE DEPT

Program: STATE FINANCIAL MANAGEMENT

Activity: STATE FINANCIAL MANAGEMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	5,566	5,866	6,650	6,713	6,713	6,943	6,943	1,140	9.1%
OPERATING EXPENSES	1,624	1,250	1,505	1,192	1,192	1,150	1,150	(413)	-15.0%
TRANSFERS	0	0	0	(100)	(100)	(100)	(100)	(200)	
SUBTOTAL STATE OPERATIONS	7,190	7,116	8,155	7,805	7,805	7,993	7,993	527	3.5%
Total Expenditures	7,190	7,116	8,155	7,805	7,805	7,993	7,993	527	3.5%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	7,190	7,116	8,155	7,805	7,805	7,993	7,993		
Total Financing	7,190	7,116	8,155	7,805	7,805	7,993	7,993		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	105.2	102.2	107.2	105.5	105.5	105.6	105.6		
PART-TIME, SEASONAL, LABOR SER	1.7	1.6	2.8	1.3	1.3	1.0	1.0		
OVERTIME PAY	0.6	0.1	0.1	0.1	0.1	0.1	0.1		
Total Full-Time Equivalent	107.5	103.9	110.1	106.9	106.9	106.7	106.7		

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2000-01 Biennial Budget

PROGRAM: Information and Management Services

AGENCY: Finance, Department of

PROGRAM PROFILE:

The Information and Management Services program consists of the commissioner's office, which provides leadership for state financial planning and operations; the technical staff responsible for the design, maintenance, and operation of the statewide administrative systems; and the administrative services unit supporting internal agency operations.

Information Services

- manages the computer software applications that provide the state's accounting and procurement functions (MAPS), human resources and payroll processes (SEMA4), and statewide budget planning (BIS)
- maintains the state's information access data warehouse (IA) that provides access to detailed statewide accounting, payroll, human resources, and procurement data used by agencies for operations, analysis, and reporting
- maintains the Department of Finance's internal network and desktop computers

Management Services

- provides strategic direction for the department and primary contact and consultation to the governor and the legislature
- provides internal accounting, payroll, clerical support services and office management for the department

Key issues the program will address over the next 2 years include:

- Keeping information technology (IT) current as system life cycles are reduced by the accelerating rate of technological change. The statewide administrative systems are dependent on a wide variety of underlying technologies to connect users and process transactions. The life cycles of these systems is 3 to 5 years. System life cycles mean that system upgrade maintenance is an ongoing cost of doing business.

The state recently completed a system upgrade for MAPS as part of the year 2000 project. A version upgrade of the SEMA4 system must be performed in the F.Y. 2000-01 biennium or the state risks the loss of important system functionality and moves into an environment of system obsolescence.

- Attracting and retaining qualified technical staff. Skilled, experienced individuals are needed to operate and maintain the program's complex systems. Strong demand in a tight labor market presents a major staffing challenge to the program.

STRATEGIES AND PERFORMANCE:

The Information and Management Services program uses the following strategy to carry out the department's mission and meet its goals:

- operating integrated statewide administrative systems efficiently, and providing access to management information through a data warehouse

The performance of the program in meeting the department's goals is measured in the following ways:

Goal-Facilitate Informed Decision Making

- Increase the usefulness of the state administrative systems to agency users

Percentage of Users "Satisfied" or "Very Satisfied" with the statewide administrative systems:

<u>Component</u>	<u>1996 Survey</u>	<u>Jan. 1998 Survey</u>
Accounting	41%	58%
Procurement	35%	66%
Payroll	59%	78%
Human Resources	67%	77%

- Minimize system downtime

Percentage of Scheduled Time that Systems are Available:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000-01</u>
MAPS Availability					
Target	95%	96%	97%	98%	98%
Actual	86%	96.58%	97.15%		
SEMA4 Availability					
Target	95%	96%	97%	98%	98%
Actual	95%	97.97%	99.29%		
IA Availability					
Target	95%	96%	97%	98%	98%
Actual	96%	97.81%	91.77%		

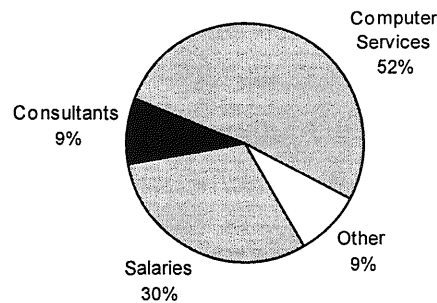
2000-01 Biennial Budget

PROGRAM: Information and Management Services
AGENCY: Finance, Department of
(Continuation)

FINANCING INFORMATION:

The key elements of the Information and Management Services budget are:

Information and Mgmt Services Base Budget F.Y. 2000-01



- **Computer services charges.** The base contains \$18.1 million and represents 52% of the program's budget. This represents the operating cost of the Statewide Administrative Systems.
- **Salary.** Salary costs represent 30% of the budget plan. This is an increase of 14% over the previous biennium due to abnormally high vacancy rates. It also reflects the need to raise technical salaries in order to attract and retain skilled technical workers in today's labor market.
- **Ongoing consultant support.** Consultants provide skills and expertise necessary to supplement state staff. This represents 9% of the program's budget.
- **Other costs.** Department-wide office supplies, equipment, rent, communications, printing, etc. represent 9% of the program's budget.

BUDGET ISSUES:

Major budget issues the program will address over the next 2 years include:

- **Keeping the statewide administrative systems technologically current.** Keeping current with technical change is a business critical issue. The state administrative systems infrastructure needs to be protected and maintained in the same manner as the state's buildings. A key budget issue facing this program is the need to address frequent periodic software maintenance upgrades for those systems. The life cycle (3-5 years) of current system technologies means that the state must increasingly view system upgrade maintenance as an ongoing, rather than a one-time cost.
- **Information Technology Series staff compensation costs.** Moderate salary-related budget increases will not be adequate to enable the program to retain and attract skilled, experienced individuals needed to operate and maintain the complex statewide systems in the current tight labor market.
- **Funding Statewide Administrative Systems operating expenses.** The legislature chose to have the department bill user agencies for about 36% (\$6.8 million) of the systems' operating expenses for the current biennium. The department requests continuation of this authority in the amount of \$3,867 per year. This funding, includes \$303 per year in additional costs due to a forecasted increase in the usage of system resources.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget and a HR/Payroll System upgrade so that the state's CORE business systems remain viable. The Governor also recommends a continuation of the billing authority to help fund the ongoing operating costs of the statewide systems.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: FINANCE DEPT

Program: INFORMATION & MGMT SERVICES

Activity: INFORMATION & MGMT SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	3,555	3,951	5,109	5,132	5,975	5,357	6,225	3,140	34.7%
OPERATING EXPENSES	13,856	14,944	15,288	8,325	13,791	8,228	13,564	(2,877)	-9.5%
SUBTOTAL STATE OPERATIONS	17,411	18,895	20,397	13,457	19,766	13,585	19,789	263	.7%
Total Expenditures	17,411	18,895	20,397	13,457	19,766	13,585	19,789	263	.7%
<u>CHANGE ITEMS:</u>									
	<u>FUND</u>								
(B) BILLING AUTHORITY FOR STATEWIDE SYSTEMS	GEN				3,867		3,867		
(B) HR/ PAYROLL SYSTEM UPGRADE MAINTENANCE	GEN				2,442		2,337		
Total Change Items					6,309		6,204		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	12,728	15,868	16,833	13,457	15,899	13,585	15,922		
STATUTORY APPROPRIATIONS:									
GENERAL	4,683	3,027	3,564	0	3,867	0	3,867		
Total Financing	17,411	18,895	20,397	13,457	19,766	13,585	19,789		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	4,689	3,027	3,564	0	3,867	0	3,867		
Total Revenues Collected	4,689	3,027	3,564	0	3,867	0	3,867		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: FINANCE DEPT

Program: INFORMATION & MGMT SERVICES

Activity: INFORMATION & MGMT SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	62.4	65.0	74.9	74.3	74.3	74.3	74.3
PART-TIME, SEASONAL, LABOR SER	0.9	0.0	0.0	0.0	0.0	0.0	0.0
OVERTIME PAY	1.4	1.1	1.5	1.5	1.5	1.5	1.5
Total Full-Time Equivalent	64.7	66.1	76.4	75.8	75.8	75.8	75.8

F.Y. 2000-2001 Information Technology New Funding

AGENCY: FINANCE DEPT

PROGRAM: INFORMATION & MGMT SERVICES

ACTIVITY: INFORMATION & MGMT SERVICES

IT Change Item: HR/ PAYROLL SYSTEM UPGRADE MAINTENANCE

ITEM DESCRIPTION AND PURPOSE:

SEMA4 is the name given to a system licensed from PeopleSoft, Inc. and modified by the State. It is the State of Minnesota's Human Resources and Payroll System. It serves all State agencies in the Executive Branch by producing paychecks for approximately 50,000 state employees. In addition, state agencies record such things as employee information related to job skills, disciplinary actions, grievances, ADA, training, education, honors and awards.

The state purchased PeopleSoft software in 1993 and modified it throughout 1993 and 1994 to meet the unique requirements of Minnesota State government and contracts with labor unions. The state implemented version 3.22 of the PeopleSoft system in 1995, the current PeopleSoft version is 7.0. PeopleSoft, which generally releases a new, major release every 12 months, no longer supports the state's version.

Due to the number of modifications necessary to handle unique state requirements, the task of upgrading to a newer release of PeopleSoft software is quite complex. From late 1997 until the summer of 1998, a team of technical and functional staff analyzed the business requirements of state human resource, payroll and insurance functions and compared these requirements with the current offering of PeopleSoft. This analysis was used to generate the cost estimate of an upgrade, identify new software features, investigate the feasibility of incorporating employee insurance processing and develop strategies to reduce system modifications. A separate request to modify and install the insurance component of SEMA4 is contained in an initiative in the department of Employee Relations' budget.

SEMA4 is an essential component of the State's core business systems. This system must be continually maintained and updated if it is to continue to provide the high level of reliability, accuracy, and performance agencies need and expect.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	151	108	43	43	43	43
Grants	0	0	0	0	0	0
Hardware	46	255	115	115	100	130
Personnel	843	868	460	498	539	593
Services	1,156	700	325	355	385	420
Software	29	56	44	62	51	70
Supplies	0	0	0	0	0	0
Training	217	350	0	0	0	0
Total	2,442	2,337	987	1,073	1,118	1,256

\$2,442 for F.Y. 2000 and \$2,337 for F.Y. 2001 is to be used for training, hardware, software, supplies, consulting services and staff for the system upgrade. In addition, the agency's base will need to be increased by \$987 in F.Y. 2002 and by \$1,073 in F.Y. 2003 to fund increased operational costs.

RATIONALE:

Industry experts recognize that the faster technology changes, the shorter system life cycles become. Organizations must continually update their business systems and infrastructure investment or the structure rapidly falls into disrepair and becomes obsolete. The cost of upgrades and support should be considered a normal, ongoing cost of a system like SEMA4.

New architecture, that may only be used with updated SEMA4, has been introduced that addresses both performance and functional issues important to SEMA4 users. System components, needed for the business systems are so interrelated that a change to one component affects all the components causing a domino effect which affects all components over time. It also becomes increasingly difficult to support those systems. Expertise in old technology is not in demand and few people maintain those skills. The lack of vendor support, the rapidly changing technical environment and the additional modifications and enhancements to later versions of software have required us to investigate upgrading to a newer version of software.

F.Y. 2000-2001 Information Technology New Funding

Agency: FINANCE DEPARTMENT
IT Change Item: HR/Payroll System Upgrade Maintenance
(Continuation)

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X				
Operations			X	X	X	X
Modification	X	X				
Retirement						

The predesign and planning phases occurred from late 1997 until the summer of 1998. An interagency team of technical and functional staff analyzed the business requirements of state human resources and payroll and compared these requirements with the current offering from PeopleSoft. The team concluded that many of the modifications and enhancements contained in the new version of PeopleSoft are significant improvements and would be desirable to implement. This effort was also used to generate the estimates of performing the upgrade.

The planning phase includes systems analysis and design activities, will continue throughout F.Y. 1999. Actual construction will begin in F.Y. 2000. Testing will occur in the 2nd half of F.Y. 2000 with implementation in F.Y. 2001. The ongoing operations and maintenance phase of the new system will be funded through the Department of Finance's direct appropriation.

OFFICE OF TECHNOLOGY ANALYSIS:

The agency has a well-managed organization which maintains the software and supports daily operations for critical statewide business systems.

OT Master Plan: Goal 2-Efficient and effective government. SEMA4 is a major information system which provides human resources and payroll functionality for all state agencies. This upgrade is needed to maintain and operate this critical business system. Recommendation: OT supports this project. Proceed with upgrade. ***Statewide critical project-must be funded.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the upgrade of the HR/Payroll system so that it continues to provide the expected performance.

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2000-01 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.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the current level budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TORT CLAIMS

Program: TORT CLAIM

Activity: TORT CLAIM

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	135	589	1,161	875	875	875	875	0	.0%
SUBTOTAL STATE OPERATIONS	135	589	1,161	875	875	875	875	0	.0%
Total Expenditures	135	589	1,161	875	875	875	875	0	.0%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	0	49	501	275	275	275	275		
TRUNK HIGHWAY	135	540	660	600	600	600	600		
Total Financing	135	589	1,161	875	875	875	875		

2000-01 Biennial Budget

AGENCY: Contingent Accounts

AGENCY DESCRIPTION:

Contingent accounts are appropriations made from several state funds to provide supplemental funding for emergencies or other legally authorized 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.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the current level budget and a \$300,000 one-time General Fund appropriation in lieu of a supplemental budget in the 2000 legislative session.

	<u>Dollars in Thousands</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
General Purpose Contingent Accounts:		
General Fund	\$400	\$100
Workers Compensation Special Fund	100	100
State Gov't Special Revenue Fund	400	400
Trunk Highway Fund	200	200
Highway Users Tax Distribution	125	125
State Airports	50	50

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.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: CONTINGENT ACCOUNTS

Program: BUDGET

Activity: BUDGET

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
TRANSFERS	0	0	4,387	975	1,275	975	975	(2,137)	-48.7%
SUBTOTAL STATE OPERATIONS	0	0	4,387	975	1,275	975	975	(2,137)	-48.7%
Total Expenditures	0	0	4,387	975	1,275	975	975	(2,137)	-48.7%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) ONE- TIME CONTINGENT ADDITION	GEN				300				
Total Change Items					300				
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	0	0	2,855	100	400	100	100		
STATE GOVERNMENT SPECIAL REVENUE	0	0	582	400	400	400	400		
STATE AIRPORTS	0	0	100	50	50	50	50		
TRUNK HIGHWAY	0	0	400	200	200	200	200		
HIGHWAY USERS TAX DISTRIBUTION	0	0	250	125	125	125	125		
WORKERS COMPENSATION	0	0	200	100	100	100	100		
Total Financing	0	0	4,387	975	1,275	975	975		

2000-01 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 19-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. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Total Bonds Outstanding:				
Existing Debt on June 30	\$2,360,255	\$2,344,859	\$2,543,846	\$2,544,720
Existing Debt:				
\$ amount of principal payments	184,815	216,395	214,520	259,915
\$ amount of interest payments	110,137	131,904	124,998	129,947

REVENUES:

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. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Existing Debt	\$242,053	\$286,495	\$255,832	\$229,138
New Issue/Existing Authorization*	-0-	-0-	10,425	24,239
Conversion of \$400 million to Bonds	-0-	-0-	13,831	35,854
Future Issue/Future Authorization	-0-	-0-	-0-	3,941

* Additional bonds will be sold in F.Y. 2000-2001

The debt service transfer shown for F.Y. 2000 and F.Y. 2001 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. 2000 and 2001 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 \$573,260,000 be appropriated from the General Fund for debt service for F.Y. 2000-01. 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, convert \$400 million in cash financing to bonding, provide no funding for additional projects in the 1999 legislative session, and provide funding for a \$400 million bonding bill in the 2000 legislative session.

2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Employee Relations, Department of (DOER)

AGENCY DESCRIPTION:

The Department of Employee Relations' (DOER) mission is to provide services and systems for attracting, hiring, training, and retaining an exemplary workforce of quality contributors who, as keepers of the public trust, are dedicated to effectively and ethically conducting the business of the state of Minnesota.

AGENCY VISION:

State of Minnesota: Employer of Choice.

KEY SERVICE STRATEGIES:

The department employs the following strategies in support of its vision and mission.

Regulation: The Labor Relations Bureau represents the commissioner as the employer for all executive branch employees and carries out the state's responsibilities under state and federal law. The Bureau also provides:

- information on employee compensation;
- advice on contract and human resource issues;
- training for managers and supervisors in contract administration;
- arbitration for grievance appeals;
- compliance process for the Local Government Pay Equity Act.

The Office of Diversity and Equal Opportunity provides:

- information to ensure compliance with affirmative action, equal opportunity, and Americans with Disabilities Act;
- review of sexual harassment claims upon request.

The commissioner's office provides determinations on employee conflict of interest and prohibited political activities. Through the Training and Development Resource Center, commissioner's staff also provides interpretation and training in government ethics under M.S. §43A.38.

Direct Provision of Service: The Employee Insurance Program provides a wide range of insurance and insurance-related services, including:

- negotiation with insurance carriers;
- resolution of coverage and claims disputes;
- health promotion, disability management and loss prevention;
- management of workers' compensation claims;
- bargaining on insurance issues with labor organizations.

The Staffing Division provides 2 main service strategies:

- management of the state's human resource function;
- cooperating with other state agencies to address workforce issues of the future including marketing state employment opportunities, attracting applicants of merit and streamlining hiring processes.

Research: The department is involved in research in a number of areas including:

- exploration into health care purchasing/delivery; improvements;
- involvement in the "Project 2030" program and the impact of funding long-term care for employees;
- development and research in the areas of compensation, fiscal impact of collective bargaining agreements and related issues.

Standard Setting: The Training and Development Resource Center provides a variety of training programs aimed at elevating the standard of state employee performance through classroom instruction, conferences and video technology.

OPERATING ENVIRONMENT:

DOER was created under M.S. 43A to provide services for the human resource management function of state agencies. DOER exists to assist agencies in their efforts to recruit and retain a workforce of distinction and merit. Other primary customers are state employees, union representatives, and job applicants.

The department has 2 programs, Human Resource Management and Employee Insurance. Included in the Human Resource Management are the following:

- Staffing
- Office of Diversity and Equal Opportunity
- Training & Development Resource Center
- Labor Relations, Compensation and Pay Equity

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Employee Relations, Department of (DOER)
(Continuation)

■ Administrative Management

The Employee Insurance Program includes the following:

- State Group Insurance
- State Workers' Compensation
- Public Employees Insurance

Several recent trends have influenced the department's efforts:

- Aging of the baby boom generation and the prospect of high long-term health care costs has generated new self-funded long-term care insurance plans,
- Welfare-to-work changes and a state workforce shortage have inspired programs such as IWON (Increased Work Opportunities Now) to attract these prospective workers;
- Workplace safety needs have led to new efforts in educating agencies to prevent future accidents.
- Changing demographics will create new challenges for the Department's programs that strengthen cultural and social relationships in the workplace.

ORGANIZATION/PROGRAM STRUCTURE:

Human Resource Management

Administrative Management	57.4 fte
Office of Diversity and Equal Opportunity	8.5 fte
Labor Relations/Compensation	13.0 fte
Training and Development Resource Center	10.4 fte
Staffing Division	37.2 fte

Employee Insurance

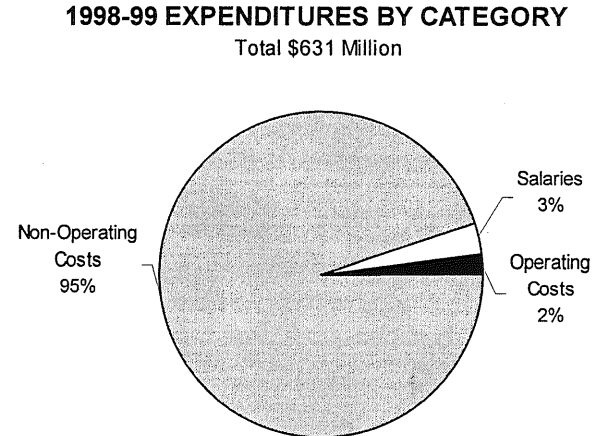
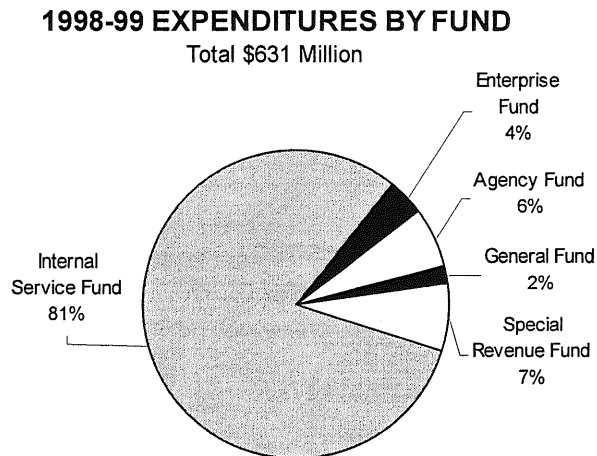
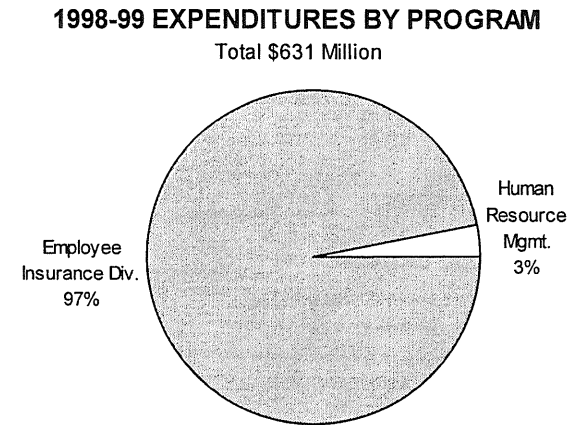
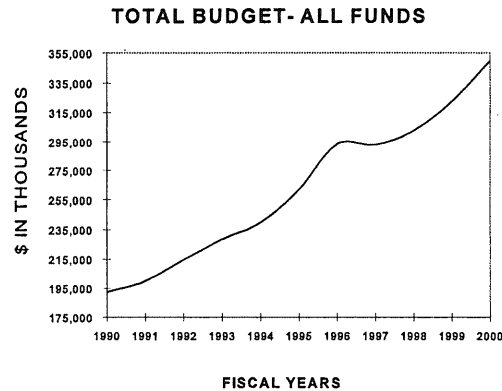
State Employee Group Insurance	47.7 fte
Public Employees Insurance	3.3 fte
Workers' Compensation	54.0 fte

9/1/98 Total fte's - 231.5

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Employee Relations, Department of (DOER)
(Continuation)

TRENDS AND PERSPECTIVE:



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
HUMAN RESOURCE MGMT	8,747	8,029	10,183	8,799	9,114	8,979	9,179	81	.4%
EMPLOYEE INSURANCE DIVISION	284,262	295,253	317,372	311,912	326,391	317,333	323,696	37,462	6.1%
Total Expenditures	293,009	303,282	327,555	320,711	335,505	326,312	332,875	37,543	6.0%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	8,062	6,611	8,406	7,421	21,915	7,594	13,857
OPEN APPROPRIATIONS:							
GENERAL	0	202	300	0	300	0	300
STATUTORY APPROPRIATIONS:							
GENERAL	12	443	224	0	0	0	0
SPECIAL REVENUE	19,764	20,850	22,533	23,400	23,400	23,514	23,514
PRIVATE EMPLOYERS INSURANCE	8,471	4,904	406	0	0	0	0
STATE EMPLOYEES INSURANCE	247,316	260,545	281,044	279,842	279,842	285,156	285,156
AGENCY	9,209	9,634	14,547	10,048	10,048	10,048	10,048
GIFT	175	93	95	0	0	0	0
Total Financing	293,009	303,282	327,555	320,711	335,505	326,312	332,875

FTE BY EMPLOYMENT TYPE:							
FULL TIME	196.1	190.7	226.0	225.5	225.5	225.5	225.5
PART-TIME, SEASONAL, LABOR SER	9.4	9.9	6.0	6.0	6.0	6.0	6.0
OVERTIME PAY	0.3	0.4	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	205.8	201.0	232.0	231.5	231.5	231.5	231.5

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**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Employee Relations, Department of (DOER)

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$7,528	\$7,528	\$15,056
<u>BASE ADJUSTMENT</u>			
One-time Appropriation	\$(110)	\$(110)	\$(220)
Biennial Appropriations	(75)	(75)	(150)
Open Appropriation Forecast Adj.-WCRA	(300)	(300)	(600)
Lease Increase	76	77	153
Salaries and Benefits	167	339	506
Transfer Between Agencies	140	140	280
Uniform Pension Bill	(8)	(8)	(16)
Statewide Admin System	<u>3</u>	<u>3</u>	<u>6</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$7,421	\$7,594	\$15,015
<u>CHANGE ITEMS</u>			
Right to Know	\$(34)	\$(34)	\$(68)
Staffing HRI	215	100	315
Self Insure	13,903	6,097	20,000
Long Term Care	310	-0-	310
Open Appropriation-WCRA	300	300	600
Youth Internship Program	<u>100</u>	<u>100</u>	<u>200</u>
GOVERNOR'S RECOMMENDATION	\$22,215	\$14,157	\$36,372

Brief Explanation of Budget Base:

The base level budget was determined by identifying the direct appropriations from the prior biennium and subtracting one-time appropriations, open appropriations, or those appropriations due to sunset at the end of the current biennium, as follows:

- \$300,000 reduction each year for an open appropriation to pay Workers Compensation Reinsurance Associations annual premium.
- \$75,000 was removed for the Quality College, which was a biennial appropriation that sunsets on 6-30-99.
- \$110,000 reduction for a one-time appropriation to study and plan development for restructuring the state's hiring practices.

Additional adjustments were made here as in other agencies to cover the increasing cost of doing business.

Base resources are sufficient to maintain the current level of operations and services for the next biennium. The purposed decision items are a proactive approach to address changing employment and employee benefit conditions. Contributing factors in the development of the budget include:

- the rising cost of medical insurance and worker's compensation costs and the need to find strategies to contain these costs,
- the pressures to streamline and consolidate hiring, recruitment, and retention process,
- and the need to create innovative methods of attracting superior candidates to state employment.

GOVERNOR'S RECOMMENDATION(S):

- \$315,000 to continue implementation of a new classification system for state agencies.
- \$20 million to establish contingency reserves and self-insure all medical coverage.
- \$310,000 to implement an optional, participant paid, long term care insurance program.
- \$200,000 to implement a Youth Internship Program for all state agencies.
- \$300,000 annually to continue open appropriation language for the Workers' Compensation Reinsurance (WCRA).

The Department of Employee Relations is planning to implement a technology project by adding an insurance benefit component to the state's payroll system in connection with the payroll system upgrade project requested by the Department of Finance. The cost of the insurance portion is estimated to be \$4.4 million. The project will be financed by a loan to the insurance trust fund to be repaid over a five year period by administrative fees charged to state agency users. The ongoing operating expenses of the new system are estimated at \$1.5 million in F.Y. 2002

**2000-01 Biennial Budget
Agency Budget Brief**

Agency: Employee Relations, Department of (DOER)
(Continuation)

Fund: General

and \$1.7 million in F.Y. 2003. The Department of Finance will work with the Department of Employee Relations and other major agency users to determine a fair and equitable method of allocating the operating expenses. DOER will work to ensure that there is clear support from the agency user as to the benefits of this project and understanding of the cost implications for the user.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
OTHER REVENUES:									
GENERAL	0	4,956	0	0	0	0	0	(4,956)	-100.0%
Total Non-Dedicated Receipts	0	4,956	0	0	0	0	0	(4,956)	-100.0%
DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS (INTER-AGENCY):									
SPECIAL REVENUE	1,004	1,124	1,220	1,245	1,245	1,245	1,245	146	6.2%
STATE EMPLOYEES INSURANCE	2,462	3,162	4,003	4,020	4,020	4,020	4,020	875	12.2%
DEPARTMENTAL EARNINGS:									
PRIVATE EMPLOYERS INSURANCE	353	130	163	0	0	0	0	(293)	-100.0%
STATE EMPLOYEES INSURANCE	195	475	433	435	435	435	435	(38)	-4.2%
OTHER REVENUES:									
GENERAL	118	634	53	0	0	0	0	(687)	-100.0%
SPECIAL REVENUE	19,301	19,780	19,839	21,588	21,793	21,588	21,793	3,967	10.0%
PRIVATE EMPLOYERS INSURANCE	62	68	47	0	0	0	0	(115)	-100.0%
STATE EMPLOYEES INSURANCE	5,604	5,499	6,563	7,419	7,419	8,712	8,712	4,069	33.7%
GIFT	16	57	0	0	0	0	0	(57)	-100.0%
OTHER SOURCES:									
SPECIAL REVENUE	314	430	602	0	0	0	0	(1,032)	-100.0%
PRIVATE EMPLOYERS INSURANCE	7,556	4,801	194	0	0	0	0	(4,995)	-100.0%
STATE EMPLOYEES INSURANCE	231,608	257,223	273,005	284,980	284,980	294,480	294,480	49,232	9.3%
AGENCY	9,232	9,723	14,520	10,025	10,025	10,025	10,025	(4,193)	-17.3%
GIFT	159	81	50	0	0	0	0	(131)	-100.0%
Total Dedicated Receipts	277,984	303,187	320,692	329,712	329,917	340,505	340,710	46,748	7.5%
Agency Total Revenues	277,984	308,143	320,692	329,712	329,917	340,505	340,710	41,792	6.6%

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2000-01 Biennial Budget

PROGRAM: Employee Insurance

AGENCY: Employee Relations, Department of (DOER)

PROGRAM PROFILE:

The Employee Insurance program provides insurance and services to approximately 165,000 individuals, including public employees, retirees and their dependents. The program provides group medical, dental and life insurance to about 70,000 employees of Minnesota state agencies, the University of Minnesota, and several other entities. The program is also responsible for managing workers' compensation benefits for 54,000 state employees and a purchasing pool that makes affordable health, dental and life coverage available to some 3,800 employees of local units of government.

The Employee Insurance program provides a wide range of insurance and insurance-related services, including:

- negotiation with insurance carriers
- enrollment, premium collection and payment
- resolution of coverage and claims disputes
- health promotion, disability management, and loss prevention
- management of workers' compensation claims
- bargaining on insurance issues with labor organizations

The Employee Insurance program was established in 1945 and adopted its current multi-health plan, managed competition model in 1989. The State Workers' Compensation activity was established in 1935, and incorporated into the Employee Insurance program in 1987. The activity adopted its managed care approach to workers' compensation medical services in 1993. The Public Employees Insurance Program (PEIP) was launched in 1989 to provide the advantages of a health care purchasing pool to political subdivisions around Minnesota.

In response to recent concerns about state employee health care, the Employee Insurance program began exploring potential modifications or alternatives to our present health care purchasing/delivery model such as competition between "care systems." The program also launched in 1997 its business needs assessment project, which is aimed at identifying and implementing improvements in our policies, procedures, technology and use of resources. Implementation of business

solutions developed by this assessment will begin in 1999.

Last year, the State Workers' Compensation activity began to explore "24-Hour Care" by taking part in a pilot clinic study with the *Minnesota Health Partnership: Coordinated Health Care & Disability Management Project*.

Progress has also been made to develop of a long-term care insurance program which could be offered as an employee-paid benefit in the year 2000. In addition, PEIP reverted to a self-insured product in 1998 and added 3 new participating health carriers.

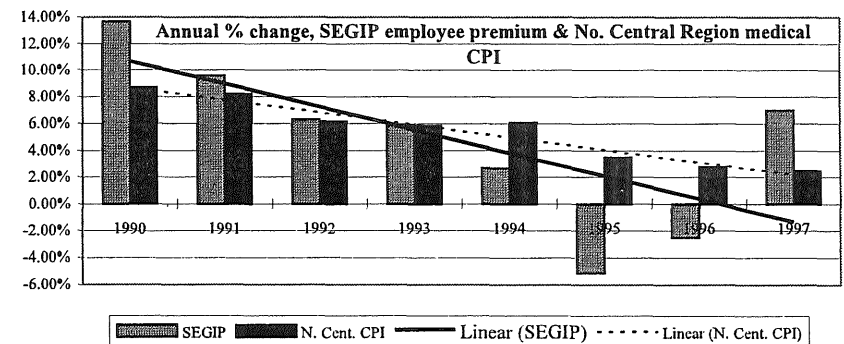
The Employee Insurance program's public goal is to furnish insurance coverage as part of a comprehensive benefits package that attracts and retains high-quality personnel for service in state government. Another goal of the Insurance program is to interact responsibly with Minnesota's insurance and health care marketplace.

STRATEGIES AND PERFORMANCE:

Strategies used by the Employee Insurance Program to advance these goals include: negotiation of contracts, cooperation with state employee labor unions, managed competition, managed health care, operation of the State Employees Health Promotion activity, careful monitoring/analysis of health care services and participation in many public-private organizations.

The program's key objectives, goals and performance indicators are as follow:

- Purchase medical coverage for calendar years 2000-01 so that the trend in premiums is at or below the trend for the North Central Region Medical Consumer Price Index.



2000-01 Biennial Budget

PROGRAM: Employee Insurance

AGENCY: Employee Relations, Department of (DOER)
(Continuation)

The State Employee Group Insurance Program (SEGIP) activity's overall cost containment record is strong. However, the results began to slip in calendar year 1997 due in part to increased medical inflation and the health plans no longer responding as aggressively to managed competition.

- Increase annually the number of participating employer groups by 15% in PEIP.

	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998
# of PEIP Groups	60	68	82	91	90	72
% change		13%	21%	11%	(1)%	(20)%

The primary reason for the reduction in the number of participating groups in F.Y. 1997-98 is that the rates offered by PEIP have become noncompetitive. Self-insuring will allow flexibility in rating necessary to become more competitive

- Maintain total workers' compensation costs equal to or less than the annual workers' compensation cost-of-living adjustment (COLA).

Total Workers' Compensation Costs (in thousands)					
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998
Benefits	\$15,862	\$14,182	\$13,458	\$13,527	\$13,611
Other	\$6,004	\$5,878	\$5,476	\$4,916	\$5,221
Totals	\$21,866	\$20,060	\$18,934	\$18,443	\$18,832
% change from prior F.Y.	-6.7%	-8.3%	-5.6%	-2.6%	+6.2%
COLA	1.65%	2.64%	3.76%	4.00%	4.00%

Total workers' compensation costs have decreased 13.8% since F.Y. 1994, largely due to legislative reforms in the early 1990's.

FINANCING INFORMATION:

Program expenditures by fund (in thousands):				
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999 est.
SEGIP	\$240,233	\$246,471	\$261,679	\$274,530
WC	\$18,803	\$18,598	\$19,276	\$19,969
PEIP	\$10,117	\$10,644	\$8,658	\$9,233

Program revenue by fund (in thousands):						
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999 est.	F.Y. 2000 est.	F.Y. 2001 est.
SEGIP	\$234,111	\$229,833	\$256,896	\$286,808	\$313,360	\$325,894
WC	\$18,569	\$19,133	\$19,524	\$20,469	\$20,992	\$21,662
PEIP	\$10,228	\$10,036	\$9,461	\$9,458	\$9,930	\$10,327
Pre-tax	\$876	\$927	\$960	\$700	\$725	\$750
Total	\$263,784	\$259,929	\$286,841	\$317,525	\$345,007	\$358,633

BUDGET ISSUES:

- Self-insuring SEGIP medical
- SEGIP long-term care implementation
- Administrative fee increase for workers' compensation

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: EMPLOYEE INSURANCE DIVISION

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
EMPLOYEE INSURANCE ADMINISTRAT	4,226	4,178	5,483	5,826	6,136	5,641	5,641	2,116	21.9%
PEIP	10,644	8,612	9,245	9,236	9,236	9,235	9,235	614	3.4%
MEIP	8,471	4,904	406	0	0	0	0	(5,310)	-100.0%
WORKERS COMPENSATION	18,678	19,256	20,159	21,350	21,316	21,457	21,423	3,324	8.4%
PROG 02 NON-OPERATING	242,243	258,303	282,079	275,500	289,703	281,000	287,397	36,718	6.8%
Total Expenditures	284,262	295,253	317,372	311,912	326,391	317,333	323,696	37,462	6.1%

<u>CHANGE ITEMS:</u>	<u>FUND</u>			
(B) MN LONG-TERM CARE PROGRAM IMPLEMENTATION	GEN		310	
(B) RIGHT TO KNOW APPROPRIATION REDUCTION	GEN		(34)	(34)
(B) SELF-INSURING SEGIP MEDICAL	GEN		13,903	6,097
(B) WCRA OPEN APPROPRIATION	GEN		300	300
Total Change Items			14,479	6,363

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	81	138	420	104	14,283	104	6,167
OPEN APPROPRIATIONS:							
GENERAL	0	202	300	0	300	0	300
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	19,287	19,874	20,702	21,966	21,966	22,073	22,073
PRIVATE EMPLOYERS INSURANCE	8,471	4,904	406	0	0	0	0
STATE EMPLOYEES INSURANCE	247,316	260,545	281,044	279,842	279,842	285,156	285,156
AGENCY	9,107	9,590	14,500	10,000	10,000	10,000	10,000
Total Financing	284,262	295,253	317,372	311,912	326,391	317,333	323,696

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: EMPLOYEE INSURANCE DIVISION

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	90.2	84.6	101.0	101.0	101.0	101.0	101.0
PART-TIME, SEASONAL, LABOR SER	2.0	3.0	4.0	4.0	4.0	4.0	4.0
OVERTIME PAY	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	92.4	87.8	105.0	105.0	105.0	105.0	105.0

2000-01 Biennial Budget

BUDGET ACTIVITY: State Employee Group Insurance Program (SEGIP)
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY PROFILE:

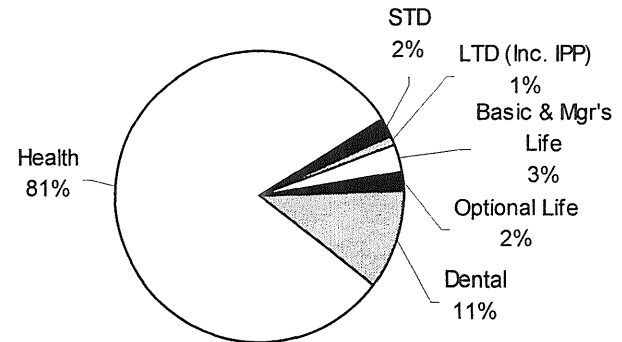
The State Employee Group Insurance Program (SEGIP) exists under the authority of M.S. 43A, subds. 22-31. It exists to provide life, disability, medical and dental benefits for employees of the state's judicial, legislative and executive branches, the University of Minnesota, and other groups defined in statute. The specific benefits are negotiated by DOER with the unions representing state employees. SEGIP provides and administers these benefits primarily through contracts negotiated with insurance carriers, health maintenance organizations, and health service plans. As the benefit program for the largest single employer in the state, SEGIP provided these benefits in calendar year 1997 for approximately 153,500 covered individuals, including employees, retirees, and their dependents at a combined employer and employee cost of approximately \$286 million including direct payments to vendors by University of Minnesota and retirees.

Long-Term Care Insurance. Chapter 384, section 8, 1996 Laws of Minnesota directed the SEGIP to consider offering long-term care insurance as an optional benefit to retiring state employees. The intent of this proposal was to determine the feasibility of making such a program available, to encourage employees to insure themselves against the financial effects of chronic illnesses and reduce their reliance on state Medical Assistance programs for elderly long-term care.

STRATEGIES AND PERFORMANCE:

State Employee Group Insurance Program. Since 1989, SEGIP has successfully maintained a strategy of managed competition among health plans. The strategy bases the employer contribution on the lowest cost medical plan capable of providing appropriate access to medical care throughout the employee's work county. Plans competed for low-cost status and met the goals consistently through the 1996 plan year.

The current SEGIP benefit dollar can be broken down into the following components:



SEGIP has 2 major performance goals, both of which address medical coverage which accounts for over 80% of expenditures.

- Maintain the cost of providing medical coverage at or below the cost of medical inflation. As the chart below indicates, SEGIP's rate of increase has declined steadily from 1990-95, with its performance goal being exceeded in years 1994-96. 1997 was the first year to see a reversal in this trend.

Percent SEGIP premium rate changes vs. No. Central Medical CPI

	1990	1991	1992	1993	1994	1995	1996	1997
SEGIP	13.7%	9.6%	6.3%	5.9%	2.7%	-5.1%	-2.5%	7.0%
CPI	8.7%	8.2%	6.1%	5.8%	6.1%	3.5%	2.8%	2.5%

- Maintain overall employee satisfaction with medical plans at 80% or higher. Success in achieving this goal is measured by the SEGIP biennial satisfaction survey. As indicated below, the 1993 and 1995 surveys showed the goal had been met. The 1997 survey showed a drop in employee satisfaction.

Employee Satisfaction

F.Y. 1993	F.Y. 1995	F.Y. 1997
81%	81%	72%

2000-01 Biennial Budget

BUDGET ACTIVITY: State Employee Group Insurance Program (SEGIP)
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)
 (Continuation)

In 1997, a combination of events occurred that called for a re-examination of SEGIP's medical care delivery strategy. They included: a) a larger than anticipated increase in costs; b) a reduction in employee satisfaction; and c) the withdrawal of a health plan resulting in a significant loss of primary care providers in the Twin Cities metro area. In response to these events, the Joint Labor Management Committee on Health Plans, made up of representatives from management and the unions, initiated a study to reassess the SEGIP purchasing strategy and, when appropriate, make recommendations to the unions for changes during bargaining sessions in the spring of 1999 for possible implementation in the year 2000.

SEGIP staff is currently pursuing 2 major alternatives: a) modifications to the current system of delivering medical care through health plans; and b) the possibility of delivering care through care systems.

Long-Term Care Insurance. In January 1997, DOER recommended to the legislature that the state proceed with designing a long-term care insurance program to include selected public employees, retirees, and family members. Funding of \$350,000 was approved to have a consultant assist in designing the program.

FINANCING INFORMATION:

SEGIP Administrative Revenue and Expenses (000s)

Revenue (in thousands):

	F.Y. 1997	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
SEGIP	\$3,084	\$3,759	\$4,553	\$4,600	\$4,600	\$4,700	\$4,800
Pre-Tax	927	960	700	725	750	800	825
Total	\$4,011	\$4,719	\$5,253	\$5,325	\$5,350	\$5,500	\$5,625

Expenditures (in thousands):

	F.Y. 1997	F.Y. 1998	F.Y. 1999 Planned	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
SEGIP	\$3,538	\$3,510	\$4,523	\$4,800	\$4,800	\$4,800	\$4,800
Pre-Tax	689	570	700	725	750	800	825
Total	\$4,227	\$4,080	\$5,223	\$5,525	\$5,550	\$5,600	\$5,625

SEGIP revenues come from the revolving fund or through direct charges for administrative services provided to state agencies.

BUDGET ISSUES:

SEGIP has 2 issues which involve expenditures beyond the revenues available through the revolving funds.

■ SEGIP reassessment implementation. After reviewing past successes and current concerns, the JLMC established the following key purchasing goals:

- stable, predictable costs (limit cost fluctuation to determined level)
- provider choice (low-cost plan must include key area providers)
- provider stability (equal trend in provider retention prior to 1997)
- controlled costs (not to exceed the rate of medical inflation)

The committee is currently studying program modifications to accomplish these goals. Restructuring the program's funding will be necessary to achieve the recommendations being considered.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: EMPLOYEE INSURANCE DIVISION

Activity: EMPLOYEE INSURANCE ADMINISTRAT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,154	1,983	2,396	2,538	2,538	2,649	2,649	808	18.5%
OPERATING EXPENSES	2,047	2,169	3,052	3,251	3,561	2,953	2,953	1,293	24.8%
SUBTOTAL STATE OPERATIONS	4,201	4,152	5,448	5,789	6,099	5,602	5,602	2,101	21.9%
LOCAL ASSISTANCE	25	26	35	37	37	39	39	15	24.6%
Total Expenditures	4,226	4,178	5,483	5,826	6,136	5,641	5,641	2,116	21.9%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) MN LONG-TERM CARE PROGRAM IMPLEMENTATIC	GEN				310				
Total Change Items					310				
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	0	98	252	0	310	0	0		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	690	570	708	720	720	720	720		
STATE EMPLOYEES INSURANCE	3,536	3,510	4,523	5,106	5,106	4,921	4,921		
Total Financing	4,226	4,178	5,483	5,826	6,136	5,641	5,641		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	927	960	1,075	1,000	1,000	1,000	1,000		
STATE EMPLOYEES INSURANCE	2,564	3,230	4,553	4,600	4,600	4,600	4,600		
Total Revenues Collected	3,491	4,190	5,628	5,600	5,600	5,600	5,600		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: EMPLOYEE INSURANCE DIVISION

Activity: EMPLOYEE INSURANCE ADMINISTRAT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	43.4	38.7	46.2	46.2	46.2	46.2	46.2
PART-TIME, SEASONAL, LABOR SER	1.2	1.5	1.5	1.5	1.5	1.5	1.5
OVERTIME PAY	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	44.8	40.4	47.7	47.7	47.7	47.7	47.7

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: PROG 02 NON-OPERATING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	0	88	0	0	0	0	0	(88)	-100.0%
OPERATING EXPENSES	242,143	258,165	282,079	275,500	289,703	281,000	287,397	36,856	6.8%
SUBTOTAL STATE OPERATIONS	242,143	258,253	282,079	275,500	289,703	281,000	287,397	36,768	6.8%
PAYMENTS TO INDIVIDUALS	100	50	0	0	0	0	0	(50)	-100.0%
Total Expenditures	242,243	258,303	282,079	275,500	289,703	281,000	287,397	36,718	6.8%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) SELF-INSURING SEGIP MEDICAL	GEN				13,903		6,097		
(B) WCRA OPEN APPROPRIATION	GEN				300		300		
Total Change Items					14,203		6,397		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	0	0	0	0	13,903	0	6,097		
OPEN APPROPRIATIONS:									
GENERAL	0	202	300	0	300	0	300		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	0	88	3	0	0	0	0		
STATE EMPLOYEES INSURANCE	233,136	248,423	267,276	265,500	265,500	271,000	271,000		
AGENCY	9,107	9,590	14,500	10,000	10,000	10,000	10,000		
Total Financing	242,243	258,303	282,079	275,500	289,703	281,000	287,397		
<u>REVENUE COLLECTED:</u>									

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: PROG 02 NON-OPERATING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
DEDICATED							
GENERAL	2	0	0	0	0	0	0
SPECIAL REVENUE	18,957	19,337	18,628	20,338	20,543	20,338	20,543
STATE EMPLOYEES INSURANCE	227,703	253,985	270,218	283,064	283,064	293,857	293,857
AGENCY	9,211	9,719	14,500	10,000	10,000	10,000	10,000
NONDEDICATED							
GENERAL	0	4,956	0	0	0	0	0
Total Revenues Collected	255,873	287,997	303,346	313,402	313,607	324,195	324,400

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Employee Insurance
ACTIVITY: State Employee Group Insurance Program (SEGIP)

ITEM TITLE: Self-Insuring SEGIP Medical

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: (\$000s)				
General Fund	\$13,903	\$6,097	\$6,706	\$7,377
Non-General Fund	\$1,129	\$2,371	\$2,608	\$2,869
Total	\$15,032	\$8,468	\$9,315	\$10,246

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends General Fund appropriations totaling \$20,000,000 for F.Y. 2000-01 to establish the necessary contingency reserves and self-insure all medical coverage provided through the State Employee Group Insurance Program (SEGIP) including the University of Minnesota.

RATIONALE:

SEGIP's managed competition strategy has been effective for the past 10 years in providing employees with choices among health plans while containing costs. However, intense price competition created incentives for insured plans to discount products. Ultimately, losses had to be made up and rates increased sharply.

Three of SEGIP's medical plans, covering approximately 45% of total enrollees, are insured. Periodically, each of these plans have responded to the cycles of price competition by reducing rates below required levels in order to increase enrollment. These reductions, subsidized by health plan reserves, have been followed by periods of increased rates to recover losses. In 1997, a health plan that was unable

to recover withdrew from SEGIP, forcing thousands of participants to find new physicians. There is a real possibility of another plan withdrawing in 2000 if these issues are not addressed.

Our experience with a self-insured program shows that it allows the state tighter control over pricing and provider networks. Such control results in increased program stability. If all medical plans were self-insured, the state would be able to manage all participants as a single population. Since the state would bear the risk, it would allow us to tailor benefits and networks to the state's needs.

Self-insuring medical coverage would provide the state increased flexibility to assure all participants the same benefit levels, including prescription drug formulary, the same access to care, and the same appeal process, all at an affordable cost to the employee.

If we do not self-insure all of the plans, we will continue to have little control over insured plans withdrawing, causing decreased provider access, major cost fluctuation, and cost disparity between plans.

The decision to self-insure SEGIP is a policy and administrative decision. As such, it is a management decision and not bargainable. The costs are not appropriately charged to the costs of the labor contract.

FINANCING:

The projected cost of a fully self-insured program for the C.Y. 2000 is \$305 million. The following is a breakdown of the additional funds necessary in the current biennium to accomplish that end.

Allocation of Requested Funds (000s)

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Funding Request:				
-Contingency Reserve	\$11,000	\$-0-	\$-0-	\$-0-
Rate stabilization	\$2,903	\$6,097	\$6,706	\$7,377
Total Requested	\$13,903	\$6,097	\$6,706	\$7,377

This request includes a one-time appropriation for a contingency reserve to pay claims under a self-insurance plan. This amount is equal to one-half that required

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Employee Insurance
ACTIVITY: State Employee Group Insurance Program (SEGIP)

ITEM TITLE: Self-Insuring SEGIP Medical
(Continuation)

by law for non-profit health service plan corporations (e.g. Blue Cross Blue Shield of Minnesota). The remaining reserve needed would be built over 5 years beginning in Plan Year 2000, through a surcharge on the premium. Agencies would absorb this cost.

The amounts detailed above include adjustments for implementing a fully self-insured program beginning in C.Y. 2000, amortizing F.Y. 2000-01 accordingly. The governor proposes that this schedule apply when developing the above-noted agencies' base budgets for the next biennial budget.

OUTCOMES:

Stable predictable costs

- Risk adjusted premiums will level cost disparity among plans, increasing cost stability and affordability to participants. It will also allow plans who have attracted state employees with a higher illness burden to be more fairly compensated for their higher costs, and reduce incentives to under serve chronically ill employees and dependents.
- Elimination of price subsidies. When the state fails to pay its true costs, health plans make up losses by cost shifting to small and mid-sized insured employers.

Provider choice

- By assuming the risk, the state increases control over which providers are available to participants.

Provider stability

- By risk adjusting and reducing cost disparity among plans, participants will feel less pressure to change plans and providers to maintain affordable health care.

Controlling costs

- By managing all participants as a single population, the state will have increased purchasing leverage to control costs and minimize fluctuation.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Employee Insurance
ACTIVITY: State Employee Group Insurance Program (SEGIP)

ITEM TITLE: Minnesota's Long-Term Care Program Implementation

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund	\$310	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No ____

If yes, statutes(s) affected: Laws of MN 1996, 384, Sect.8, 1997 Ch.202, Art.1, Sect.16, subd.3

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time appropriation of \$310,000 for the F.Y. 2000-01 biennium for funds required to implement an optional, participant-paid, long-term care insurance program to be available to state employees, retirees and their respective family members as well as selected public employer groups.

RATIONALE:

The current system of financing long-term care is unsustainable. As the baby boom generation ages and budgets become increasingly strained by public expenditures for elderly long-term care, the state must encourage middle-class Minnesotans to assume greater personal responsibility for financing their own long-term care and securing their retirement funds from potentially devastating financial effects.

FINANCING:

The funds requested are to cover the cost of implementing an optional participant-paid, long-term care insurance plan.

Following the initial costs identified in this budget request, it is anticipated that the program will be self-sustaining.

OUTCOMES:

- Substantially increase the prevalence of long-term care coverage among middle class, public-sector employees and retirees in Minnesota.
- Raise Minnesotans' awareness of, and interest in, long-term care insurance, thereby increasing growth in the state's group and individual long-term care insurance markets.
- Enable public employers to attract and retain qualified workers.
- Reduce or stabilize Minnesota's share of future long-term care expenditures for certain populations.
- Allow public long-term care programs to better serve the populations for which they were originally intended.

2000-01 Biennial Budget

BUDGET ACTIVITY: Public Employees Insurance Program (PEIP)
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

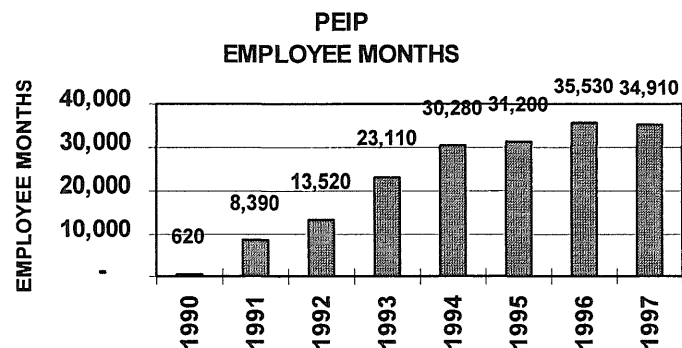
ACTIVITY PROFILE:

PEIP is a statewide health-dental-life insurance pool for active and retired employees. It was established in 1989 to help Minnesota's public employers, including counties, cities, townships, school districts, local units of government and other jurisdictions, purchase affordable health care.

There are currently 72 employer groups in PEIP with an enrollment of 2,166 active employees, 1,610 retired employees and 2,097 dependents. The average number of employees per group is 30, with groups as large as 337 and as small as one. Expected claims volume for calendar year 1998 is \$8 to \$9 million.

STRATEGIES AND PERFORMANCE:

PEIP's performance goal is to be a viable product in the market for small public employer groups by continuing to increase membership. The following graph demonstrates the consistent increase in number of employee months (one employee covered for 9 months = 9 employee months) from 1990-96.



The 1997 figures indicate that PEIP's enrollment has leveled off. In response,

PEIP staff has reevaluated the program and changed the funding from insured to self-insured. This has resulted in greater flexibility in rating necessary to improve enrollment numbers. PEIP has also developed a revised marketing plan to further enhance this effort.

FINANCING INFORMATION AND BUDGET ISSUES:

PEIP currently has a \$4.5 million contingency reserve, adequate to provide the program financial stability and assure claims payment to the network's participating plans and providers, as well as other vendors providing services.

PEIP is funded almost exclusively by employer group premiums. Premiums collected in excess of claims paid will be used to reduce the rates charged to employer groups. In the past, PEIP has received moneys to assist in establishing required reserves. Most recently, the legislature appropriated \$750,000 for F.Y. 1999 to improve PEIP's financial and competitive stability as it moved to a self-insured status.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: PEIP

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	106	84	131	185	185	192	192	162	75.3%
OPERATING EXPENSES	10,538	8,528	9,114	9,051	9,051	9,043	9,043	452	2.6%
SUBTOTAL STATE OPERATIONS	10,644	8,612	9,245	9,236	9,236	9,235	9,235	614	3.4%
Total Expenditures	10,644	8,612	9,245	9,236	9,236	9,235	9,235	614	3.4%
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
STATE EMPLOYEES INSURANCE	10,644	8,612	9,245	9,236	9,236	9,235	9,235		
Total Financing	10,644	8,612	9,245	9,236	9,236	9,235	9,235		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
STATE EMPLOYEES INSURANCE	9,602	9,144	9,233	9,190	9,190	9,190	9,190		
Total Revenues Collected	9,602	9,144	9,233	9,190	9,190	9,190	9,190		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	2.1	1.6	2.5	3.3	3.3	3.3	3.3		
Total Full-Time Equivalent	2.1	1.6	2.5	3.3	3.3	3.3	3.3		

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2000-01 Biennial Budget

BUDGET ACTIVITY: Workers' Compensation
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY PROFILE:

Workers' Compensation

The state's self-insured workers' compensation activity is administered by the Employee Insurance Program. Its purpose is to provide workers' compensation benefits to state employees in accordance with M.S. §176.540-176.611.

The activity consists of 4 distinct units:

- claims management
- legal
- disability management
- safety/industrial hygiene

The activity covers approximately 54,000 employees in the executive, legislative, and judicial branches of state government. In addition, the activity covers employees of quasi-state agencies, such as the Minnesota Historical Society and the Minnesota State Fair. It is funded through an administrative fee assessed to all state agencies based on the number of employees, open claims, and the number of transactions for each agency. In F.Y. 1993-99, the fee amounted to \$2.7 million.

In F.Y. 1998, approximately 3,400 workers' compensation claims were filed. The rate of new claims has declined 20% since F.Y. 1994 and, most notably, the number of claims involving loss of time from work decreased 27% during the same period. Table 1 contains a breakdown of claims for F.Y. 1994-98.

Table 1

Claims Reported						% Change	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1994-98	F.Y. 1997-98
Lost Time	933	713	710	619	678	-27.3	9.5
Medical Only	3,240	3,107	3,180	3,263	2,661	-17.8	-18.4
Totals	4,173	3,820	3,890	3,882	3,339	-19.9	-13.9

Along with the reduction of claims involving loss of time from work, benefit costs decreased 22.5% from F.Y. 1994-98. Table 2 contains a breakdown of benefit costs for F.Y. 1994-98.

Table 2 (in thousands)

Benefit Costs						% Change	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1994-98	F.Y. 1997-98
Indemnity	\$9,191	\$8,209	\$7,315	\$7,210	\$6,847	(25.50)%	(2.60)%
Medical	\$4,790	\$3,836	\$4,322	\$4,502	\$5,058	5.50%	12.30%
Expense	\$798	\$794	\$732	\$709	\$643	(19.30)%	(9.20)%
Rehabilitation	\$536	\$687	\$514	\$720	\$606	13.20%	(15.70)%
EE Atty Fees	\$549	\$657	\$576	\$566	\$457	(16.60)%	(19.20)%
Totals	\$15,862	\$14,182	\$13,458	\$13,527	\$13,611	(14.10)%	0.06%

STRATEGIES AND PERFORMANCE:

Through the establishment of a statewide safety committee, individual safety committees in each agency and a heightened awareness of the role that ergonomics brings to reducing the occurrence of workplace injuries, the state has reduced the number of workplace injuries over the past 5 years. Staff members from the Employee Insurance Division's Safety and Industrial Hygiene Unit have played central roles in bringing these factors into the daily operations of state agencies.

2000-01 Biennial Budget

BUDGET ACTIVITY: Workers' Compensation
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)
(Continuation)

The active involvement of properly trained state agency personnel, combined with the services provided through a certified managed care plan, has helped the state significantly reduce the number of claims involving loss of time from work during the last 5 years. The Employee Insurance Division believes these factors, along with cooperative interactions with state employees, will continue to significantly control and even reduce workers' compensation costs.

FINANCING INFORMATION:

Workers' Compensation

- Annual administration costs for workers' compensation were \$2.7 million for F.Y. 1993-98, and it will remain the same for F.Y. 1999.
- The managed care fee found on line 2 of Table 3 is the fee that is passed through to state agencies (on a per-employee basis).

Table 3

	F.Y. 1997	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Adminis- trative Costs	\$2.7M	\$2.7M	\$2.7M	\$2.9M	\$2.9M	\$2.9M	\$2.9M
Managed Care	\$903K	\$955K	\$1M	\$1M	\$1.2 M	\$1.25 M	\$1.3 M

BUDGET ISSUES:

- Increase in administrative fees assessed state agencies of 7.5%.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: WORKERS COMPENSATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,025	2,126	2,557	2,725	2,725	2,831	2,831	873	18.6%
OPERATING EXPENSES	16,653	17,130	17,602	18,625	18,591	18,626	18,592	2,451	7.1%
SUBTOTAL STATE OPERATIONS	18,678	19,256	20,159	21,350	21,316	21,457	21,423	3,324	8.4%
Total Expenditures	18,678	19,256	20,159	21,350	21,316	21,457	21,423	3,324	8.4%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) RIGHT TO KNOW APPROPRIATION REDUCTION	GEN				(34)		(34)		
Total Change Items					(34)		(34)		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	81	40	168	104	70	104	70		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	18,597	19,216	19,991	21,246	21,246	21,353	21,353		
Total Financing	18,678	19,256	20,159	21,350	21,316	21,457	21,423		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	175	187	56	58	58	58	58		
Total Revenues Collected	175	187	56	58	58	58	58		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: WORKERS COMPENSATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	43.0	42.7	51.5	51.5	51.5	51.5	51.5
PART-TIME, SEASONAL, LABOR SER	0.8	1.5	2.5	2.5	2.5	2.5	2.5
Total Full-Time Equivalent	43.8	44.2	54.0	54.0	54.0	54.0	54.0

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Employee Insurance
ACTIVITY: Workers' Compensation

ITEM TITLE: Administrative Fee Increase for State's Workers' Compensation Activity

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Revolving Fund	\$2.9M	\$2.9M	\$2.9M	\$2.9M

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a \$205,000 increase in the administrative fee assessed state agencies to fund the state's self-insured workers' compensation activity, administered by the Department of Employee Relations (DOER) Employee Insurance Program. The existing administrative fee base of \$2.731 million has been in place since F.Y. 1993 and is no longer sufficient to cover operational costs.

RATIONALE:

The proposed initiative represents a 7.5% increase in the administrative fee paid by state agencies. The fee is based on the number of employees, open claims and transactions generated by an agency. The proposed increase will assure continued strong, active management of workers' compensation claims and quality loss control services to state agencies. These efforts, combined with the program's disability management and internal and external legal services, have helped the

state reduce its total annual workers' compensation costs by approximately \$5 million since F.Y. 1993.

FINANCING:

The proposed initiative covers increases in salaries and benefits the division is unable to support with its existing administrative fee base, which has been in place since F.Y. 1993.

OUTCOMES:

The program's performance in managing workers' compensation costs for state agencies will continue to be reported through its annual workers' compensation report.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Employee Insurance
ACTIVITY: Workers' Compensation

ITEM TITLE: Reduction to Right to Know Contract

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	(\$34)	(\$34)	(\$34)	(\$34)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction to the state's Right to Know contract due to lower than anticipated costs.

RATIONALE:

The state, as other employers, contracts with Prosar, Product & Safety Resources, Inc. for "Hazard Information Services." During this past biennium, the contract was renegotiated and renewed at a lower cost to the state. The result is a \$68,000 biennial reduction to the General Fund.

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F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Employee Insurance
ACTIVITY: Claims and Premiums

ITEM TITLE: Open Appropriation for WCRA Premiums

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$300	\$300	\$400	\$400
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ___ No <u>X</u>				
If yes, statutes(s) affected:				
<input type="checkbox"/> New Activity	<input checked="" type="checkbox"/> Supplemental Funding	<input type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends that this obligation be covered by Open Appropriation authority in statute.

RATIONALE:

M.S. 79.34 requires all insurers and self-insured employers in Minnesota to participate as members in the Workers Compensation Reinsurance Association (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 \$1,120,000. 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 an Open Appropriation established during the 1997 legislative session for the 1998-1999 biennium, and payments are made quarterly. 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.

The premium paid by the state to the WCRA has decreased 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 WCRA, the Department has no choice but to pay premia when due.

FINANCING:

History of WCRA expenditures

Fiscal	Premium	Fiscal	Premium
<u>Year</u>	<u>Costs</u>	<u>Year</u>	<u>Costs</u>
1984	\$795,130	1994	\$844,161
1985	1,044,673	1995	979,744
1986	1,337,326	1996	554,842
1987	1,477,743	1997	-0-
1988	1,675,376	1998	201,526
1989	1,849,597	1999	285,000 (est)
1990	1,675,480	2000	300,000 (est)
1991	1,962,311	2001	300,000 (est)
1992	1,713,000		
1993	790,960		

OUTCOMES:

The nature of this non-discretionary, variable obligation argues for continuing the 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 estimate 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. Furthermore, continuing the Open Appropriation will result in more rational, efficient management of this ongoing business expense of the state.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
ADMINISTRATION	4,384	3,401	4,274	3,953	3,953	4,020	4,020	298	3.9%
DIVERSITY & EQUAL OPPORTUNITY	504	337	544	513	513	538	538	170	19.3%
LABOR RELATIONS & COMPENSATION	766	1,011	1,293	1,236	1,236	1,247	1,247	179	7.8%
QUALITY COLLEGE	149	67	83	0	0	0	0	(150)	-100.0%
EMPLOYMENT & CAREER SERVICES	1,976	1,920	2,245	2,021	2,336	2,091	2,291	462	11.1%
TRNG & DEVELOPMENT RESOURCE CTR	404	509	611	456	456	457	457	(207)	-18.5%
CONFERENCE ACCOUNTS	287	647	995	572	572	578	578	(492)	-30.0%
PROG 01 NON-OPERATING	277	137	138	48	48	48	48	(179)	-65.1%
Total Expenditures	8,747	8,029	10,183	8,799	9,114	8,979	9,179	81	.4%

<u>CHANGE ITEMS:</u>	<u>FUND</u>		
(B) IMPLEMENTATION OF HUMAN RESOURCE REFORI	GEN		215
(B) YOUTH INTERNSHIP PROGRAM	GEN		100
Total Change Items			315

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	7,981	6,473	7,986	7,317	7,632	7,490	7,690
STATUTORY APPROPRIATIONS:							
GENERAL	12	443	224	0	0	0	0
SPECIAL REVENUE	477	976	1,831	1,434	1,434	1,441	1,441
AGENCY	102	44	47	48	48	48	48
GIFT	175	93	95	0	0	0	0
Total Financing	8,747	8,029	10,183	8,799	9,114	8,979	9,179

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	105.9	106.1	125.0	124.5	124.5	124.5	124.5
PART-TIME, SEASONAL, LABOR SER	7.4	6.9	2.0	2.0	2.0	2.0	2.0
OVERTIME PAY	0.1	0.2	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	113.4	113.2	127.0	126.5	126.5	126.5	126.5

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: ADMINISTRATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,690	2,620	3,191	3,145	3,145	3,280	3,280	614	10.6%
OPERATING EXPENSES	1,694	781	1,083	808	808	740	740	(316)	-17.0%
SUBTOTAL STATE OPERATIONS	4,384	3,401	4,274	3,953	3,953	4,020	4,020	298	3.9%
Total Expenditures	4,384	3,401	4,274	3,953	3,953	4,020	4,020	298	3.9%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	4,365	3,181	4,039	3,947	3,947	4,014	4,014		
STATUTORY APPROPRIATIONS:									
GENERAL	12	214	224	0	0	0	0		
SPECIAL REVENUE	7	6	7	6	6	6	6		
AGENCY	0	0	4	0	0	0	0		
Total Financing	4,384	3,401	4,274	3,953	3,953	4,020	4,020		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	0	385	53	0	0	0	0		
SPECIAL REVENUE	0	4	4	6	6	6	6		
Total Revenues Collected	0	389	57	6	6	6	6		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	50.9	48.3	53.4	53.4	53.4	53.4	53.4		
PART-TIME, SEASONAL, LABOR SER	1.0	1.1	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	51.9	49.4	53.4	53.4	53.4	53.4	53.4		

2000-01 Biennial Budget

BUDGET ACTIVITY: Office of Diversity and Equal Opportunity (ODEO)
PROGRAM: Human Resource Management
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY PROFILE:

The Office of Diversity and Equal Opportunity (ODEO) exists to provide leadership, consultation, information and support to state agencies in the following areas:

- compliance with Affirmative Action Plan and Equal Employment Opportunity;
- compliance with Americans with Disabilities Act (ADA);
- diversity programming and planning;
- promotion of inclusive hiring and employment practices;
- selection, retention and mentorship program strategies;
- review of sexual harassment cases upon request, pursuant to AFSCME contract.

The challenges faced by the program include:

- creating equal employment opportunities;
- furthering inclusiveness in state hiring and employment practices;
- accommodating the increases in the number of disabled persons, people of color and those over 40 years of age;
- reacting to a reduction in birth rate;
- recruiting and retaining an exemplary workforce;
- retaining protected group hires; and
- working effectively with the councils of color.

The Office of Diversity and Equal Opportunity serves all state agencies. Public expectation is that the state, as an employer, should serve as a role model for private sector employers, particularly in the areas of diversity and equal employment opportunity.

The ODEO has intensified its efforts to assist state agencies that value and respect individual differences and focus on eradicating bias and stereotypes in the workplace environment. ODEO must also consider how greater racial and cultural diversity and the state's anticipated labor shortage will impact ODEO and, to a certain extent, change our focus. It will be imperative that the state place value upon every individual and enhance our ability to retain and attract highly qualified employees. The issues of the Office of Diversity and Equal Opportunity are equally shared by our private counterparts. The competition for human resources

will be significant as we all strive to achieve excellence in our employment ranks.

The ADA/Disability Coordinator establishes state policies and procedures and provides technical assistance and training to executive branch agencies in their effort to 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 people with disabilities an equal access to employment, programs, and services. In addition, this office coordinates the Qualified Disabled Examination alternative testing program for applicants with disabilities (M.S. 43A.10, subd. 8) and the Supported Work Program (M.S. 43A.421).

The Office of Diversity and Equal Opportunity works to develop partnerships with community groups who focus on employment, recruitment and retention. The recruitment of protected class members is especially important as the population base changes. For example, women have made great strides in the employment area, but not in all state job classifications. Qualified women should be able to participate in all job classifications and enjoy promotions based upon performance. Similar efforts must be extended in recruiting, training and retaining persons of color and individuals with disabilities.

STRATEGIES AND PERFORMANCE:

The following goals have been established along with precise and valid outcome-based performance measures:

- provide state agencies with services to assure their compliance with state and federal laws governing affirmative action, equal employment opportunities and Americans With Disabilities Act.
- work with state agencies to increase representation of protected group employees in all job classifications.
- ensure the turnover rate for protected group members is equal to the rate for non-protected group members.
- promote initiatives aimed at strengthening cultural relationships within the work environment.
- expand training efforts within state agencies as they relate to mentorship, affirmative action, recruitment and diversity.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT
Program: HUMAN RESOURCE MGMT
Activity: DIVERSITY & EQUAL OPPORTUNITY

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	396	307	510	494	494	519	519	196	24.0%
OPERATING EXPENSES	108	30	34	19	19	19	19	(26)	-40.6%
SUBTOTAL STATE OPERATIONS	504	337	544	513	513	538	538	170	19.3%
Total Expenditures	504	337	544	513	513	538	538	170	19.3%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	504	337	544	513	513	538	538		
Total Financing	504	337	544	513	513	538	538		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	7.8	5.7	9.0	8.5	8.5	8.5	8.5		
PART-TIME, SEASONAL, LABOR SER	0.6	0.1	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	8.4	5.8	9.0	8.5	8.5	8.5	8.5		

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Human Resource Management
ACTIVITY: Office of Diversity and Equal Opportunity

ITEM TITLE: Youth Internship Program

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund	\$100	\$100	\$100	\$100

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$100,000 each year for the establishment of a new internship program at DOER. The program goals are:

- to help familiarize young people with state government and
- to encourage young people to consider state employment and/or become better informed and involved citizens.

RATIONALE:

The objective of this program is twofold: to fill a legitimate business need in state government and to provide interested participants practical, on-the-job experience guided by a seasoned professional.

The Department of Employee Relations will establish guidelines for receipt of dollars under the program, including a request for proposals (RFP) from state agencies. Interns could be from two levels of education:

- high school/trades, clerical positions, and
- college/professional positions. Agency business needs will steer them to one level or the other.

The student may receive a salary, course credits, reimbursement of expenses or some combination. This will be determined by the agency in conjunction with the student and his/her school.

Another flexible aspect of the program is that the intern could rotate over the course of time within an agency or between agencies. For example, a student interested in the administrative aspect of state government could spend one quarter each in Administration, Employee Relations and Finance. The length of the internship would also vary depending upon the mutual needs of the intern and the state agency/constitutional office.

FINANCING:

\$100,000 each year of the biennium will be available to state agencies and constitutional offices in accordance with guidelines established by DOER. A maximum per student could be established within those guidelines.

OUTCOMES:

Outcome measurements will be established by the institution and the agency, based upon the needs and goals of the student and the correspondent expectations of the agency.

2000-01 Biennial Budget

BUDGET ACTIVITY: Labor Relations and Compensation
PROGRAM: Human Resource Management
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY PROFILE:

The Labor Relations/Compensation Bureau was established in M.S. §43A.06 to perform the duties assigned to the commissioner under the Public Employees Labor Relations Act (PELRA) at M.S. §179A.01 et seq. The Bureau is also responsible for monitoring compliance of local government subdivisions with the Local Government Pay Equity Act (M.S. §471.991 et seq.).

The Bureau consists of 3 distinct units:

- Labor Relations
 - Compensation
 - Local Government Pay Equity
- 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 obligations as an employer under a variety of state and federal employment laws.
- This activity also advises the management of each state agency in their 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 interprets collective bargaining agreements, advises agency management on contract and human resources administration issues, trains supervisors and managers in contract administration, and administers grievances appealed to arbitration.
- The compensation activity provides an overall compensation framework for cash compensation and benefits other than insurance, i.e., vacation, sick leave, holidays and expense reimbursement. 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.

- The local government pay equity 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.

STRATEGIES AND PERFORMANCE:

During the 1997-98 biennium, 53 grievances were processed through the grievance arbitration procedure with 99 grievances settled and 194 grievances withdrawn.

All bargaining agreements and plans, with the exception of Bargaining Unit Number 5, Health Care Professional, were successfully negotiated with voluntary settlements and subsequently approved by the legislature. Bargaining Unit Number 5, Health Care Professional, elected to use their right to interest arbitration under M.S. §179.16. The arbitrator's award is pending as of September, 1998.

In 1984, the Minnesota Legislature passed the Local Government Pay Equity Act (LGPEA). All local governments (approximately 1,600) were required to implement pay equity and submit reports to DOER in January of 1992. Eventually, 100% of all jurisdictions reporting in 1992 achieved compliance. Beginning in 1994, each jurisdiction was required to report every 3 years and currently 95% of all jurisdictions are in compliance.

During the last biennium and the first year of the current biennium, DOER conducted a survey of inequities typically found in local governments. The focus of the sampling was to evaluate the dollar amount of these inequities and determine whether the wage gap between male and female employees had changed due to the implementation of the LGPEA.

The results showed that, before pay equity, the average wage for females was \$1.92 per hour less than the average wage for males. Today, that difference is 53¢ per hour. In other terms, the average wage for females increased from 82% to 96% of the wage for males.

2000-01 Biennial Budget

BUDGET ACTIVITY: Labor Relations and Compensation
PROGRAM: Human Resource Management
AGENCY: Employee Relations, Department of (DOER)
(Continuation)

During this biennium, the 4 training modules taught by the staff from the Labor Relations/Compensation Division for DOER's Training and Development Resource Center were revamped in order to provide updated changes which have occurred in these topic areas.

The Labor Relations/Compensation Division's key objectives, goals and performance indicators are as follows:

- Continue to make pay equity compliance determinations and provide technical assistance. Plans include updating the State Job Match, a job evaluation tool provided free to local governments, and the pay equity analysis software.
- Prepare for the upcoming F.Y. 1999-2000 bargaining negotiations.
- Continue to provide ongoing labor relations services and information to executive branch agencies.

FINANCING INFORMATION:

Staff levels and expenditures for this activity have remained stable for the past several biennia. Total base expenditures are \$2.48 million for the biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: LABOR RELATIONS & COMPENSATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	633	675	821	792	792	816	816	112	7.5%
OPERATING EXPENSES	133	336	472	444	444	431	431	67	8.3%
SUBTOTAL STATE OPERATIONS	766	1,011	1,293	1,236	1,236	1,247	1,247	179	7.8%
Total Expenditures	766	1,011	1,293	1,236	1,236	1,247	1,247	179	7.8%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	766	782	893	836	836	847	847		
STATUTORY APPROPRIATIONS:									
GENERAL	0	229	0	0	0	0	0		
SPECIAL REVENUE	0	0	400	400	400	400	400		
Total Financing	766	1,011	1,293	1,236	1,236	1,247	1,247		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	0	249	0	0	0	0	0		
SPECIAL REVENUE	0	0	400	400	400	400	400		
Total Revenues Collected	0	249	400	400	400	400	400		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	11.0	11.1	13.0	13.0	13.0	13.0	13.0		
Total Full-Time Equivalent	11.0	11.1	13.0	13.0	13.0	13.0	13.0		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: QUALITY COLLEGE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	76	66	68	(2)	(2)	0	0	(136)	-101.5%
OPERATING EXPENSES	73	1	15	2	2	0	0	(14)	-87.5%
SUBTOTAL STATE OPERATIONS	149	67	83	0	0	0	0	(150)	-100.0%
Total Expenditures	149	67	83	0	0	0	0	(150)	-100.0%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	149	67	83	0	0	0	0		
Total Financing	149	67	83	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	1.1	1.0	1.0	1.0	1.0	1.0	1.0		
Total Full-Time Equivalent	1.1	1.0	1.0	1.0	1.0	1.0	1.0		

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2000-01 Biennial Budget

BUDGET ACTIVITY: Recruitment and Career Services Division
PROGRAM: Human Resource Management
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY PROFILE:

The program exists to provide statewide direction, technical consultation, coordination, development and maintenance of a variety of hiring and job classification services in order to maximize state agency efforts to attract and retain productive employees. Key expertise/service areas include:

- recruitment and Marketing;
- selection process design and development;
- job seeker information, both internal and external;
- strategic Staffing/Workforce Planning/Redeployment;
- assessment/exam development; and
- classification, including job design, profiling and classification audits.

The Recruitment, Selection and Assessment team provides a number of services to assist agencies in attracting the “right people at the right time for the right jobs.” During this last biennium, the division assisted agencies in their efforts to advertise, market and compete in a competitive job environment. In addition, use of the Minnesota SkillSearch Project, a central resume data base providing access to applicant information, was expanded to include more job classes. In cooperation with union representatives, the team also developed a redeployment guide to aid agencies and employees in workforce planning, layoff and retraining issues.

The Classification team provides technical assistance to agencies in job design, classification determination, and also conducts job audits and appeals. The division entered into a cooperative effort with AFSCME to consolidate job classes into career paths. This Clerical Consolidation project was successfully completed in 1998 and resulted in consolidating 7,000 clerical employees into 3 career paths and 13 merged classes. During the next 3 years, this team will conduct as many as 35 career-family studies in support of the division’s reengineering efforts to improve the state’s classification system.

This activity’s biggest challenges over the next biennium are:

- statewide implementation of a newly-structured selection and staffing process resulting from redesign studies and modifications;
- maintaining current services while simultaneously incorporating and

establishing new procedures; and

- managing this transformation without increasing operational funding.

STRATEGIES AND PERFORMANCE:

In the last biennium, the legislature appropriated \$575,000 as seed money to begin a reengineering process to change the way in which the state defines and classifies jobs, how we attract, recruit and redeploy our employees and how we plan for future workforce requirements. During this past biennium, these new design plans were successfully completed, delivered and approved. These plans were the result of 15 months of work by 6 teams made up of more than 150 statewide representatives from human resources, management, unions and legislative staff. This division also revised its organizational structure to meet current agency needs and anticipate additional service requirements of these new processes.

In addition, the division continued to incorporate new technology to support the efforts of the reengineering teams while researching additional technical applications useful to our efforts in job design and profiling, job audits, exam development, computerized applicant testing and applicant data bases.

FINANCING INFORMATION:

The legislature appropriated \$575,000 during the 1998-99 biennium to study and develop a plan for revising the state’s recruitment, hiring and classification systems. Base expenditures for the 2000-01 biennium total \$4.11 million.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: EMPLOYMENT & CAREER SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,554	1,691	1,897	1,825	1,990	1,893	2,058	460	12.8%
OPERATING EXPENSES	422	229	348	196	346	198	233	2	.3%
SUBTOTAL STATE OPERATIONS	1,976	1,920	2,245	2,021	2,336	2,091	2,291	462	11.1%
Total Expenditures	1,976	1,920	2,245	2,021	2,336	2,091	2,291	462	11.1%
<u>CHANGE ITEMS:</u>									
	<u>FUND</u>								
(B) IMPLEMENTATION OF HUMAN RESOURCE REFORI	GEN				215		100		
(B) YOUTH INTERNSHIP PROGRAM	GEN				100		100		
Total Change Items					315		200		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	1,976	1,920	2,245	2,021	2,336	2,091	2,291		
Total Financing	1,976	1,920	2,245	2,021	2,336	2,091	2,291		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	29.2	31.5	36.2	36.2	36.2	36.2	36.2		
PART-TIME, SEASONAL, LABOR SER	4.9	4.0	1.0	1.0	1.0	1.0	1.0		
OVERTIME PAY	0.1	0.2	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	34.2	35.7	37.2	37.2	37.2	37.2	37.2		

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Human Resource Management
ACTIVITY: Recruitment & Career Services (formerly Staffing)

ITEM TITLE: Implementation of Human Resource Reform

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$215	\$100	\$100	\$100
- Grants	\$-0-	\$-0-	\$-0	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ___ No <u>X</u>				
If yes, statutes(s) affected:				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for temporary additional staff, software, licenses, hardware, training and communications. This funding will be used to implement the new job classification structure developed as a result of the Human Resource (HR) Reengineering project sponsored by the legislature during the past biennium.

RATIONALE:

The reengineering project focused on 3 key areas of reform: the hiring assessment process, job classification system and the strategic planning process, formally called workforce planning. Following the Phase I study, Phase II brought together 3 teams to focus on each of these areas, suggesting specifics for new, more competitive, efficient and customer-focused procedures. In Phase III, a second set of teams was formed to detail the final designs for each process including implementation, funding and legislative requirements for successful conversion. These recommendations were the result of collaborative discussions involving a

broad group of stakeholders including agency and DOER human resources personnel, management, unions, minority organizations, veterans groups and legislative staff.

The current classification system consists of over 2,200 narrowly defined job classes. It is an antiquated model, inappropriate for today's employment market. When developed, it was based on post-industrial needs for specialized jobs in a stable business environment. Today's business climate, fiscal conservatism and labor shortages demand that we have a system that: 1) is based on broader career families of similar skills requiring fewer classes; 2) enables employees to more easily move between similar careers; 3) provides better workforce, planning and individual employee development; 4) creates a more career-oriented atmosphere with understandable performance expectations; 5) is easier for managers and employees to understand; and 6) supports the new hiring process.

In June of 1998, redesign teams devoted to the task of modernizing this system proposed a streamlined approach, featuring 35 broad career families with logical linkages to the Department of Labor's new O*Net system. In order to fully convert our existing classes, a 3-year plan has been developed. Most of the analytical work can be conducted by our division by adding one temporary analyst and software support for data analysis, reporting and storage. Without funding, the project would take a projected 8 years to complete, stalling planned improvements for recruitment, selection, job-audit cost reduction and workforce planning activities.

FINANCING:

- \$215,000 to implement the classification design plans for hardware, staff, licenses and consultant fees in F.Y. 2000 and \$100,000 in F.Y. 2001 for staff and licenses to complete 24 job family studies over the biennium. This study will require funding into 2003 to complete the final 11 studies in this project.

OUTCOMES:

- Faster, more efficient and accessible system for all customers and stakeholders involved with the hiring process in state government.
- New career tracks built on common skills and competencies will assist employees with managing their own career development and enable the organization to better plan and deploy training and development resources as well as deploy its human skill assets.

2000-01 Biennial Budget

BUDGET ACTIVITY: Training & Development Resource Center (TDRC)
PROGRAM: Human Resource Management
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY PROFILE:

The TDRC division exists to provide training required by law (M.S. §43A.21) to state managers, supervisors and employees in all state agencies in the following areas:

- management Development;
- supervisory Training;
- preventing Sexual Harassment;
- Americans with Disabilities Act.

So that the state of Minnesota may increase productivity and retain skilled employees, the division also provides development opportunities to state employees on topics of general/management interest such as:

- Performance Management
- Public Policies
- Orientation to State Government

The challenges faced by the division include:

- providing required training at low/no cost so that all state agencies can meet the requirements of law;
- developing and delivering training which meets the needs of all state agencies at a cost that all agency budgets can accommodate;
- developing and delivering training that is specific to state/public employment and that enhances the state's ability to retain quality employees.

The state of Minnesota, as an employer, consistently faces the problem of retaining a high quality, highly productive workforce. In F.Y. 1998, the turnover rate due to resignations of state of Minnesota agency employees was 1,350, or just over 4%. Industry standards put the turnover cost per employee at \$10,000-\$30,000+. At that rate, the state of Minnesota, as an employer, spent between \$1.5 million and \$40 million in F.Y. 1998 on costs associated with turnover. It has been suggested

that the 2 most important factors in retaining qualified, productive employees are the quality of supervision and corporate culture. The TDRC provides training and development for supervisors so that supervision of employees is enhanced and the culture is improved.

Projections over the next 5-10 years indicate an increasing shortfall in worker availability. It will become even more necessary that the state of Minnesota, as an employer, retain quality employees.

The TDRC's programs seek to improve the productivity of all state employees, thus providing better services to the citizens of the state of Minnesota.

STRATEGIES AND PERFORMANCE:

The following goals and performance indicators have been established for the TDRC:

Goal 1 - Equip managers and supervisors with skills necessary to effectively meet customer needs.

Indicator: Improve the quality and increase the number of training options available for State of Minnesota agency managers and supervisors.

Measure: Management Core/Supervisory Core revision in 1998-99.

Program options:

F.Y. 1998

Supervisory Core
Management Core
Performance Management

F.Y. 1999

Supervisory Core
Management Core
Performance Management
Long Distance Supervision
Performance Appraisal & Evaluation
Managing Human Behavior
Writing, Learning & Performance Objectives
Styles of Decision-Making
Effective Meetings

Goal 2 - Create and support opportunities to maximize the productivity of the state's workforce.

2000-01 Biennial Budget

BUDGET ACTIVITY: Training & Development Resource Center (TDRC)
PROGRAM: Human Resource Management
AGENCY: Employee Relations, Department of (DOER)
(Continuation)

Indicator: Develop and deliver new training programs as required to meet agency needs.

Measure: Eleven new programs offered during 1998 calendar year.

FINANCING INFORMATION:

This activity is funded from both the revolving and general funds. The revolving fund is based on a rate set for each course sponsored by the TDRC Services division. A small General Fund appropriation helps to support required training courses, such as Supervisors/Managers Training (CORE) or Preventing Sexual Harassment. Base expenditures total \$910,000 for the biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: TRNG & DEVELOPMENT RESOURCE CTR

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	260	391	479	350	350	364	364	(156)	-17.9%
OPERATING EXPENSES	144	118	132	106	106	93	93	(51)	-20.4%
SUBTOTAL STATE OPERATIONS	404	509	611	456	456	457	457	(207)	-18.5%
Total Expenditures	404	509	611	456	456	457	457	(207)	-18.5%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	221	186	182	0	0	0	0		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	183	323	429	456	456	457	457		
Total Financing	404	509	611	456	456	457	457		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	520	286	559	570	570	570	570		
Total Revenues Collected	520	286	559	570	570	570	570		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	4.8	6.5	9.4	9.4	9.4	9.4	9.4		
PART-TIME, SEASONAL, LABOR SER	0.9	1.7	1.0	1.0	1.0	1.0	1.0		
Total Full-Time Equivalent	5.7	8.2	10.4	10.4	10.4	10.4	10.4		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: CONFERENCE ACCOUNTS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	50	130	153	159	159	165	165	41	14.5%
OPERATING EXPENSES	237	517	842	413	413	413	413	(533)	-39.2%
SUBTOTAL STATE OPERATIONS	287	647	995	572	572	578	578	(492)	-30.0%
Total Expenditures	287	647	995	572	572	578	578	(492)	-30.0%
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	287	647	995	572	572	578	578		
Total Financing	287	647	995	572	572	578	578		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	21	560	907	461	461	461	461		
Total Revenues Collected	21	560	907	461	461	461	461		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	1.1	2.0	3.0	3.0	3.0	3.0	3.0		
Total Full-Time Equivalent	1.1	2.0	3.0	3.0	3.0	3.0	3.0		

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2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

AGENCY: Technology, Office of (OT)

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PROGRAMS, BUDGET ACTIVITIES, AND CHANGE ITEMS

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IT - Change Item - Small Agency Infrastructure

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: MN Office of Technology

AGENCY MISSION AND VISION:

The mission of the Office of Technology (OT) is to assure that the use of information technology improves Minnesota government, businesses, communities, and the lives of the state's citizens. The Office is charged with providing statewide leadership and direction on information and communication technology policy.

The vision of OT is to ensure effective use of government information technology resources and to foster partnerships between public and private sector organizations to deliver technology solutions that are on target as well as online.

KEY SERVICE STRATEGIES:

The Office developed a statewide plan to assure that all government, businesses, and citizens realize the benefits of information technology. To carry this out, OT has adopted the following goals:

- a technically literate and competent society;
- efficient and effective government;
- easy and affordable access;
- stimulated economic growth; and
- improved quality of life.

To ensure achievement of the goals, the Office will provide leadership and direction to integrate technologies in all aspects of government, education, businesses, and homes. These goals are achieved by addressing 2 distinct communities: government and the private sector.

The Office provides a variety of statutory services and functions vital to the internal operation of government. The Office establishes policies, standards and guidelines relating to information privacy, access, and dissemination; information resource management; delivery of government services electronically; and technologies used to gather, store, use and disseminate public government information and data.

North Star, government's on-line information and service delivery portal, is being made a part of the base funding to ensure efficient and effective delivery of government services electronically.

The Office works with public and public-private entities to promote and encourage the use of information technologies in education, health care, arts and culture. The Office provides local government assistance to communities developing partner-

ships to better the lives of Minnesotans. The Office also establishes standards for the use of technology in our schools and for electronic commerce applications.

OPERATING ENVIRONMENT:

In addition to meeting the needs of government agencies, the Office serves the myriad of public and public-private entities that are integrating information technologies into their everyday operations and lives. This includes groups from specific neighborhoods in a metropolitan area to entire communities and regions across greater Minnesota. The Office focuses on education and lifelong learning, electronic health care, community development through e-commerce, and improved quality of life.

ORGANIZATION/PROGRAM STRUCTURE:

As a relatively small agency, many staff members are involved in operations of both the government services and community development/outreach divisions.

EXECUTIVE MANAGEMENT	5.0 fte
Technology Integration	15.0 fte
Project Specific Personnel	3.5 fte
Support Services	3.0 fte

Total fte: 26.5

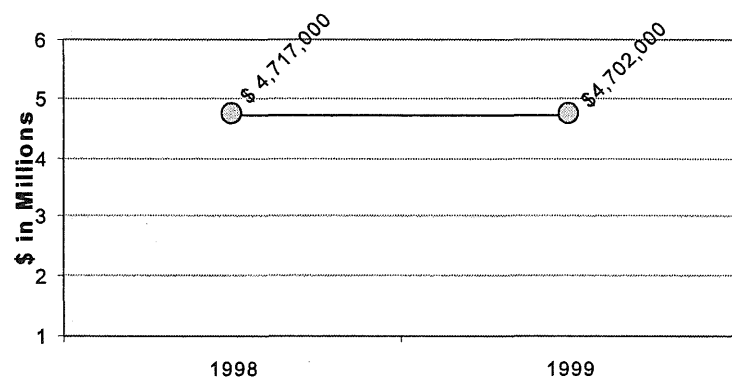
GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$8.909 million, which includes funding for the Small Agency Infrastructure and One-Stop Licensing Continuation Initiatives. The Governor recommends the agency place its emphasis on coordinating state government's strategic investments in information technology and supporting state agencies in their efforts to use technology to achieve results.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: MN Office of Technology
(Continuation)

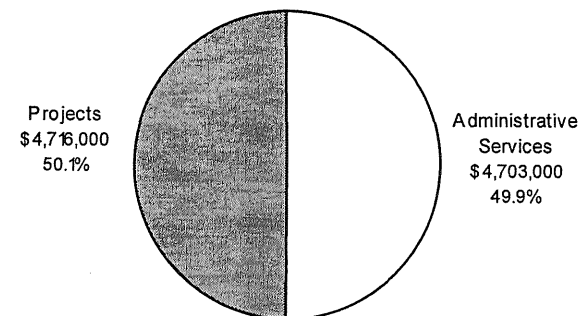
Total Budget - All Funds *



* Funds were first appropriated for the Office of Technology in F.Y. 1998. All spending is from the General Fund (Fund 100) with the exception of \$3 thousand expended in F.Y. 98 from the Misc. Special Revenue Fund (fund 200).

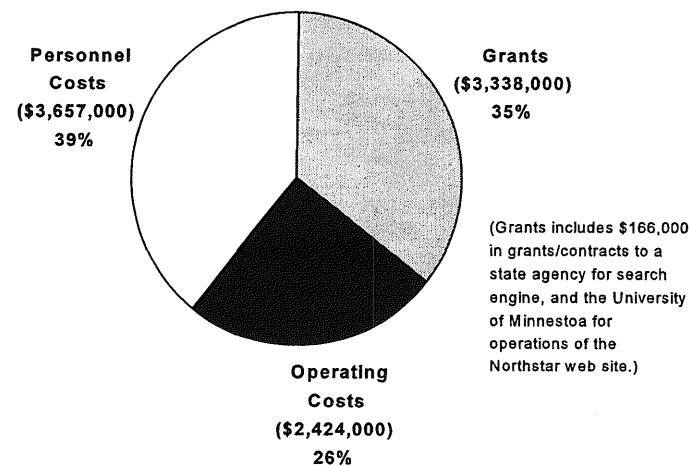
1998-1999 Expenditures by Activity

Total \$9.4 Million



1998-1999 Expenditures by Category

Total \$9.4 Million



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MN OFFICE OF TECHNOLOGY

Program: MN OFFICE OF TECHNOLOGY

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
ADMINISTRATIVE SERVICES	0	2,215	2,488	2,901	2,901	2,957	2,957	1,155	24.6%
PROJECTS	0	2,502	2,214	0	2,015	0	1,464	(1,237)	-26.2%
Total Expenditures	0	4,717	4,702	2,901	4,916	2,957	4,421	(82)	-.9%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) ONE STOP LICENSING CONTINUATION	GEN			519	237
(B) SMALL AGENCY INFRASTRUCTURE	GEN			1,233	1,062
(B) SMALL AGENCY INFRASTRUCTURE	SGS			89	79
(B) SMALL AGENCY INFRASTRUCTURE	WCS			174	86
Total Change Items				2,015	1,464

<u>FINANCING BY FUND:</u>							
<u>DIRECT APPROPRIATIONS:</u>							
GENERAL	0	4,714	4,702	2,901	4,653	2,957	4,256
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	89	0	79
WORKERS COMPENSATION	0	0	0	0	174	0	86
<u>STATUTORY APPROPRIATIONS:</u>							
SPECIAL REVENUE	0	3	0	0	0	0	0
Total Financing	0	4,717	4,702	2,901	4,916	2,957	4,421

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	0.0	24.5	28.0	29.0	29.0	29.0	29.0
PART-TIME, SEASONAL, LABOR SER	0.0	0.6	0.5	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	0.0	25.1	28.5	29.0	29.0	29.0	29.0

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**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: MN Office of Technology

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$2,777	\$2,777	\$5,554
<u>BASE ADJUSTMENT</u>			
Biennial Appropriations	468	468	936
One-Time Appropriations	(400)	(400)	(800)
Doc. Space Rental/Lease	2	3	5
2000-01 Salary & Benefits Base	<u>54</u>	<u>109</u>	<u>163</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$2,901	\$2,957	\$5,858
<u>CHANGE ITEMS</u>			
Small Agency Infrastructure	1,233	1,062	2,295
One Stop Licensing Continuation	<u>519</u>	<u>237</u>	<u>756</u>
GOVERNOR'S RECOMMENDATION	\$4,653	\$4,256	\$8,909

Brief Explanation of Budget Decisions:

- Approximately 39% of F.Y. 1998-99 funding provided for a professional staff to ensure that the statutory mandates, mission and goals of the Office are met. This includes advising state agencies, the governor and legislature, overseeing the state's strategic investment in information technologies, and developing policies, standards and guidelines for the deployment and use of information technologies and applications consistent with the state's Master Plan.
- The Office budgeted approximately 35% of F.Y. 1998-99 dollars for grants to communities, non-profit organizations, agencies, and public awareness efforts to ensure that information and communications technologies become integrated into everyday operations and lives of the state's governmental units, businesses, schools, communities and homes.

- The change in base funding for F.Y. 2000-01 reflects the ongoing funding for North Star (\$936,000), the reduction of one-time funding for Trade Point/SEAL (\$800,000), adjustments for rental and lease agreement changes (\$5,000), and anticipated salary and benefit changes (\$163,000).

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends a biennial appropriation of \$8.909 million, which includes:

- *Small Agency Infrastructure* funding for those small state agencies that have been under-funded or not funded for basic network and desktop computing capabilities.
- The *One-Stop Licensing* funding to continue development of state government's ability to provide its citizens and customers with electronic licensing and permitting functions.

The Governor also recommends that any grants for F.Y. 2000-01 focus on ensuring that government is efficient and responsive.

2000-01 Biennial Budget

BUDGET ACTIVITY: Administrative Services
PROGRAM: MN Office of Technology
AGENCY: MN Office of Technology

ACTIVITY PROFILE:

The Office of Technology's budget consists of 2 activities: Administrative Services and Projects.

Administrative Services has 2 functional divisions:

- Administration - Provides staffing and support for the on-going activities of the Office. These activities include:
 - providing leadership and direction for information and communications technology policy in Minnesota state government;
 - coordinating strategic investments in information and communications technology to encourage the development of methods for the efficient delivery of services electronically and to ensure access to information;
 - supporting, assisting in, and helping to design strategic education technology initiatives and developing public/private partnerships;
 - coordinating and participating in a number of health-related technology projects;
 - working with arts organizations to integrate technology into the creation and delivery of arts programming.
- North Star - Provides citizen access to public government information and data, with electronic commerce capabilities between citizens and government entities under development.

STRATEGIES AND PERFORMANCE

The outcomes of the Office's programs are:

- Developing information and communications technology policies, standards and guidelines, through collaborative efforts with the Information Policy Council;
- Creating and promoting the goals and strategies of the statewide Master Plan for information and communications technologies and architecture;

- Providing a common portal through which government entities will provide services electronically through North Star; and
- Providing outreach and community assistance in the promotion of public/private partnerships and grant programs.

FINANCING INFORMATION:

- The Administrative Services budget activity includes the agency's entire base budget of \$2.901 million in F.Y. 2000 and \$2.957 million in F.Y. 2001. The agency is funded entirely with General Fund appropriations.
- The Administrative Services budget activity includes the ongoing funding of \$468,000 per year for North Star.

BUDGET ISSUES:

The base funding provides for personnel to coordinate, facilitate and advocate for partnerships within a variety of public and public/private initiatives that utilize information technologies to ensure that the Master Plan goals are attained at all levels of community and government.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget, but does not approve of the use of any agency funds for work with arts organizations or health-related technology projects outside of government. The Governor believes that OT must focus its work on providing support to state government.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MN OFFICE OF TECHNOLOGY

Program: MN OFFICE OF TECHNOLOGY

Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	0	1,599	1,665	2,045	2,045	2,145	2,145	926	28.4%
OPERATING EXPENSES	0	604	813	856	856	812	812	251	17.7%
SUBTOTAL STATE OPERATIONS	0	2,203	2,478	2,901	2,901	2,957	2,957	1,177	25.1%
PAYMENTS TO INDIVIDUALS	0	12	0	0	0	0	0	(12)	-100.0%
LOCAL ASSISTANCE	0	0	10	0	0	0	0	(10)	-100.0%
Total Expenditures	0	2,215	2,488	2,901	2,901	2,957	2,957	1,155	24.6%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	0	2,215	2,488	2,901	2,901	2,957	2,957		
Total Financing	0	2,215	2,488	2,901	2,901	2,957	2,957		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	0.0	22.1	25.0	29.0	29.0	29.0	29.0		
PART-TIME, SEASONAL, LABOR SER	0.0	0.3	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	0.0	22.4	25.0	29.0	29.0	29.0	29.0		

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2000-01 Biennial Budget

BUDGET ACTIVITY: Projects
PROGRAM: MN Office of Technology
AGENCY: MN Office of Technology

ACTIVITY PROFILE:

This budget activity consists of special projects undertaken by the Office of Technology.

The legislature funded the following initiatives for F.Y. 1998-1999: Internet Centers, International Telecommunications Union Conference, Trade Point and SEAL, and Business License Information.

Internet Centers (M.S. 16E.12)

- The Office received a \$500,000 appropriation to create and operate the Internet Center.
- The Internet Center is required by statute to be centrally located within the state and to collaborate with the North Star online service, public and private partners, and existing or emerging technology and community development efforts.
- The Office, through collaboration with St. Cloud State University, established the Internet Center on the St. Cloud campus. The center collaborates with Access MN, Minnesota Technologies Inc, Minnesota Project Innovation, the Small Business Administration, National Telecommunications Infrastructure Agency, the Regional Economic Development Commissions and public-private entities to carry out its mission.
- The center assists communities and regions in IT community planning, aggregation, and design and implementation. It also maintains an interactive database of community and business-related IT information. The center's web site is located at: www.internetcenter.state.mn.us.
- Through the Internet Center, the Office:
 - awarded \$210,000 in grants to 6 regions in the state for the purpose of accomplishing information technology goals through public-private partnerships and required that the communities provide matching funds;
 - provides outreach to Minnesota communities for community assessment, training and planning in matters of IT;
 - created and maintains a comprehensive community-focused Y2K website for citizens, businesses and community planning;

- provides an electronic commerce (best practices) website for communities; and,
- created the "teletern" program which places technology and community development students from the university into communities that have requested assistance from the state.

International Telecommunications Union (ITU)

- The Office received a \$500,000 appropriation to support activities associated with the International Telecommunications Union conference (an international standards-setting body).
- With the assistance of the Office, arts curriculum that enables students to meet statewide graduation requirements was developed and delivered. The International Conference was a success.

Trade Point and SEAL (M.S. 16E.11)

- The Office received a \$900,000 appropriation in F.Y. 1998 and \$400,000 in F.Y. 1999 to develop a United Nations trade point in the state. Of the \$1.3 million appropriated, a significant portion remains unspent due to concerns raised by the Office of Technology and United Nations investigators about the program's operations.
- The Office worked in cooperation with the United Nations and other organizations to expand international trading opportunities for small and medium sized businesses through the use of electronic commerce technologies and participation in the global trade point network.
- The Office, in partnership with the University of Minnesota and the Minnesota World Trade Center, and in conjunction with the United Nations Center for Trade and Development, entered into an agreement to develop electronic capabilities for these initiatives.
- In early 1998, the existing agreement between OT, World Trade Center Corporation, and the University of Minnesota was reviewed by Office management and its counsel, who determined the Office should terminate the existing agreement and pursue a new one which clearly delineated the roles and responsibilities of all parties. Anticipating termination of the existing agreement, the Office held negotiations with Bemidji State University to continue both the development and implementation of the Trade Point network and fulfillment of legislative intent. No agreement has been reached and no funding has been obligated to Bemidji State University for this work.

2000-01 Biennial Budget

BUDGET ACTIVITY: Projects
PROGRAM: MN Office of Technology
AGENCY: MN Office of Technology
(Continuation)

Business License Information (M.S. 16E.08)

- The Office received a \$500,000 appropriation to work in cooperation with the Department of Trade and Economic Development to develop an electronic system to allow the public to retrieve business license information by computer.
- The Department of Trade and Economic Development, in cooperation with the Office, has constructed a licensing database from which a licensee may obtain all information relating to a specific license including rules, regulations, procedures and an electronic application form.
- The next step in this effort is to permit on-line filing of the applications. A pilot project with the Board of Electricity is underway. (See One-Stop Licensing Continuation Initiative).

Small Agency Infrastructure

- This is a new initiative to provide funding for small agencies of state government that have been underfunded or not funded for basic networking and desk computing capabilities. (See Small Agency Infrastructure Initiative.)

Model Database Element Standards

- This is a statewide initiative whereby agencies and other governmental entities will develop common standards, formats and meanings to identify data elements which describe the public and private government information that is stored in data bases. This will allow more secure public access to public government information and data.

FINANCING:

This activity is financed primarily with General Fund appropriations.

BUDGET ISSUES:

The One-Stop Licensing Continuation and the Small Agency Infrastructure initiatives represent a coordinated, collaborative approach for development of efficient electronic delivery of government services to the state citizens and business partners.

The projects will ensure that the customary autonomy of government entities will yield to a unified architecture and interoperable system to assure maximum benefits are achieved from state revenue investment.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$756,000 from the General Fund for the One-Stop Licensing Continuation Initiative and a biennial appropriation of \$2.295 million from the General Fund, \$168,000 from the State Government Special Revenue Fund, and \$260,000 from the Workers' Compensation Fund for the Small Agency Infrastructure Initiative.

The Governor also recommends that the agency reallocate its base funding to implement the Model Database Element Standards project.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MN OFFICE OF TECHNOLOGY

Program: MN OFFICE OF TECHNOLOGY

Activity: PROJECTS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	0	157	236	0	0	0	0	(393)	-100.0%
OPERATING EXPENSES	0	283	878	0	519	0	237	(405)	-34.9%
TRANSFERS	0	0	0	0	1,496	0	1,227	2,723	
SUBTOTAL STATE OPERATIONS	0	440	1,114	0	2,015	0	1,464	1,925	123.9%
LOCAL ASSISTANCE	0	2,062	1,100	0	0	0	0	(3,162)	-100.0%
Total Expenditures	0	2,502	2,214	0	2,015	0	1,464	(1,237)	-26.2%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) ONE STOP LICENSING CONTINUATION	GEN			519	237
(B) SMALL AGENCY INFRASTRUCTURE	GEN			1,233	1,062
(B) SMALL AGENCY INFRASTRUCTURE	SGS			89	79
(B) SMALL AGENCY INFRASTRUCTURE	WCS			174	86
Total Change Items				2,015	1,464

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	0	2,499	2,214	0	1,752	0	1,299
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	89	0	79
WORKERS COMPENSATION	0	0	0	0	174	0	86
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	0	3	0	0	0	0	0
Total Financing	0	2,502	2,214	0	2,015	0	1,464

<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE		0	3	0	0	0	0	0	0

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MN OFFICE OF TECHNOLOGY

Program: MN OFFICE OF TECHNOLOGY

Activity: PROJECTS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
Total Revenues Collected	0	3	0	0	0	0	0
FTE BY EMPLOYMENT TYPE:							
FULL TIME	0.0	2.4	3.0	0.0	0.0	0.0	0.0
PART-TIME, SEASONAL, LABOR SER	0.0	0.3	0.5	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	0.0	2.7	3.5	0.0	0.0	0.0	0.0

F.Y. 2000-2001 Information Technology New Funding

AGENCY: MN OFFICE OF TECHNOLOGY

IT Change Item: ONE STOP LICENSING CONTINUATION

ITEM DESCRIPTION AND PURPOSE:

This effort will provide automated, business licensing and permitting capabilities to a select number of small agencies and provide options for licensees to obtain licenses and permits. It will test the application of directory services technology to facilitate automated licensing (e.g. authentication, identification, and encryption). It will build on the foundation of the DTED database of business licenses and permits. The outcome of this effort will include a foundation of technology capabilities that encourages further growth of electronic government service delivery capabilities.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	10	10	10	10	10	10
Grants	0	0	0	0	0	0
Hardware	49	17	17	17	17	17
Personnel	0	0	0	0	0	0
Services	300	160	160	160	160	160
Software	100	20	20	20	20	20
Supplies	30	30	30	30	30	30
Training	30	0	0	0	0	0
Total	519	237	237	237	237	237

The project anticipates the participation of 10 small agencies or boards. It is anticipated that most of these agencies will need to develop databases to accommodate online licensing. However, because of the small size, these databases could be designed using a PC-based software package.

1. Facilities

Cost for facilities built expressly to house information technology functions.

FY 2000-2001 Amount Requested: \$20,000

2. Hardware

It is anticipated that 7 out of 10 potential small agencies will need new servers in order to accommodate online processing. These servers have a three-year replacement cycle.

FY 2000-2001 Amount Requested: \$66,000

3. Personnel

Personnel costs were not built into this projection due to the belief that small agencies would find it more cost effective to contract for development and ongoing support for system modifications rather than hiring additional full-time employees.

FY 2000-2001 Amount Requested: \$0

4. Services

Contracted services for ongoing/how-to and break/fix support.

FY 2000-2001 Amount Requested: \$460,000

5. Software

The agencies will require web-enabled databases to process the online forms.

FY 2000-2001 Amount Requested: \$120,000

6. Supplies

Computer/facsimile and security system related components.

FY 2000-2001 Amount Requested: \$60,000

7. Training

Employees currently working in the agencies will be handling the processing of permits and licensing in a new, automated manner. They will require training during the first year of the biennium in order to accomplish this.

FY 2000-2001 Amount Requested: \$30,000 (all in first year of biennium)

F.Y. 2000-2001 Information Technology New Funding

AGENCY: MN OFFICE OF TECHNOLOGY
IT Change Item: One Stop Licensing Continuation
(Continuation)

RATIONALE:

The goals of this effort are to:

- Provide automated business licensing and permitting
- Provide licensees with options when obtaining licenses and permits;
- Test the application of directory services technology to facilitate automated licensing (e.g. security, digital signatures, authentication and identification, and encryption);
- Build on the foundation of the DTED database to develop one-stop licensing;
- Provide a foundation of technology capabilities that encourages further growth of electronic government service capability;
- Implement the effort statewide at conclusion of this pilot.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X				
Operations		X	X	X	X	X
Modification			X	X	X	X
Retirement						

Development should occur in the first two years with ongoing support following each year. It is also assumed that modifications to the system will be ongoing as the rules, laws and needs change for permitting and licensing.

OFFICE OF TECHNOLOGY ANALYSIS:

This is a new agency which has begun addressing information resource management. Agency provides statewide leadership and direction for technology and collaborates on many multi-agency projects.

OT Master Plan: Goal 2-Efficient and effective government, Goal 4-Easy and affordable access.

This collaborative project would build on an existing system to provide web-based, on-line submission of permits, licenses and services for citizens and businesses. The project would serve as a model for providing electronic government services.

Recommendation: Proceed with project. OT supports this project.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$756,000 for the biennium for the One Stop Licensing Continuation Initiative.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: MN OFFICE OF TECHNOLOGY

IT Change Item: SMALL AGENCY INFRASTRUCTURE

ITEM DESCRIPTION AND PURPOSE:

This initiative proposes to build a permanent funding stream for technology into each small agency's base. The funding will be used to meet basic infrastructure needs, such as PCs, local area networks, support of the environment and related activities. The appropriation for this change item would be made to the Office of Technology (OT), and OT would then transfer the money to eligible small agencies as appropriate.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	6	6	6	6	6	6
Grants	0	0	0	0	0	0
Hardware	620	424	419	406	348	332
Personnel	218	222	226	231	230	228
Services	374	332	292	292	272	272
Software	158	116	117	106	102	101
Supplies	28	33	33	33	23	23
Training	92	94	92	92	82	82
Total	1,496	1,227	1,185	1,166	1,063	1,044

META Group, a consulting and research firm, provided estimates of typical PC/LAN environment costs. This firm estimates that the per user per year cost is approximately \$3000. A large portion of these costs are for purchasing, supporting, and managing client assets, including hardware, systems software, and applications.

1. Facilities

Costs for facilities built expressly to house information technology functions.
FY 2000-2001 Amount Requested: \$12,000

2. Hardware

Purchase, installation, replacement, update, and movement of hardware.
FY 2000-2001 Amount Requested: \$1,044,000

3. Personnel

The estimated cost for systems management and general operations makes up 16% of the total initiative amount for FY's 2000-2001. For small agencies, it is anticipated that the personnel money may need to be designated for contracted support services if it is more cost-effective than maintaining employees on staff.
FY 2000-2001 Amount Requested: \$440,000

4. Services

Contracted services for ongoing/how-to and break/fix support.
FY 2000-2001 Amount Requested: \$706,000

5. Software

Purchase of applications that allow the capability to conduct the business of the agencies and interconnectivity to the global internet.
FY 2000-2001 Amount Requested: \$274,000

6. Supplies

Computer/facsimile and security system related components.
FY 2000-2001 Amount Requested: \$61,000

7. Training

Training of personnel to operate information technology.
FY 2000-2001 Amount Requested: \$186,000

F.Y. 2000-2001 Information Technology New Funding

AGENCY: MN OFFICE OF TECHNOLOGY
IT Change Item: Small Agency Infrastructure
(Continuation)

RATIONALE:

This initiative proposes to build a permanent funding stream for technology. The funding stream will be used to meet basic technology infrastructure needs, such as PCs, local area networks, support of the environment and related activities.

Historically, small agencies have been under-funded for information technology. This request will provide for the information technology infrastructure in specified small agencies to allow these agencies to meet the future demands of providing government services electronically. It will also reduce the need for small agencies to request additional dollars each biennium to support their infrastructure.

The Office of Technology will lead this effort. Small agencies will account for the expenditures in their IT management reporting efforts.

Small agencies included in this initiative whose projects will be funded through the General Fund include the following: Accountancy Board, Amateur Sports Commission, Animal Health Board, Capitol Area Architectural Board, Crime Victim Ombudsman, Disability Council, Gambling Control Board, Human Rights, Judicial Standards Board, Bureau of Mediation Services, Ombudsman for Corrections, Ombudsman for Mental Health and Mental Retardation, Public Utilities Commission (fee recovered), Sentencing Guidelines Commission, Tax Court, and Veterans Affairs.

Small agencies included in this initiative whose projects will be funded through the State Government Special Revenue Fund are the Pharmacy Board (Infrastructure and Licensing project) and the Social Work Board.

The Administrative Hearing's project will be funded through the Workers Compensation Fund.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X				
Operations		X	X	X	X	X
Modification						
Retirement						

Development will occur in the first two years in order to ensure that each of the small agencies has a web presence and network installed. Costs beyond the first two years are standard operation and life-cycle costs associated with a three year-recycling program for all technology.

OFFICE OF TECHNOLOGY ANALYSIS:

This is a new agency which has begun addressing information resource management. Agency provides statewide leadership and direction for technology and collaborates on many multi-agency projects.

OT Master Plan: Goal 2-Efficient and effective government, Goal 4-Easy and affordable access.

This project provides basic network and desktop infrastructure, such as e-mail, work processing and Internet access, for small agencies that have historically been underfunded for technology.

Recommendation: Proceed as planned. OT supports this project. *** Statewide critical project-must be funded.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation to the Office of Technology from the following funds for the Small Agency Infrastructure Initiative: \$2.295 million from the General Fund, \$168,000 from the State Government Special Revenue Fund, and \$260,000 from the Workers Compensation fund.

2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

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2000-01 Biennial Budget Agency Executive Summary

AGENCY: Revenue, Department of (DOR)

AGENCY MISSION AND VISION:

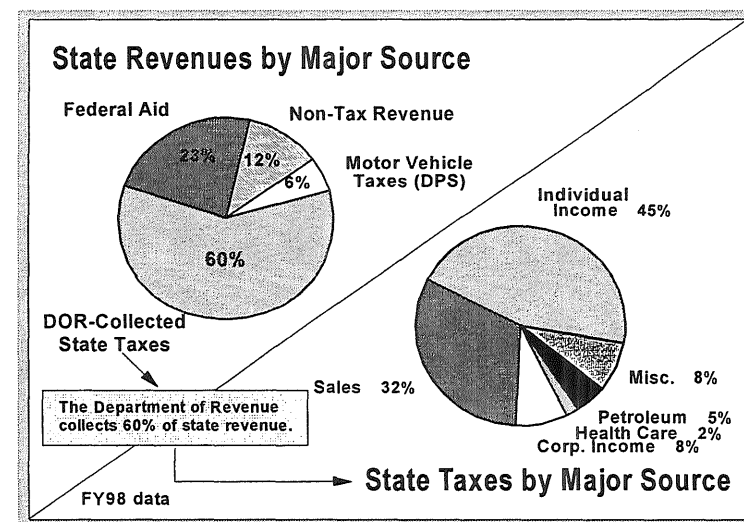
The mission of the Department of Revenue (DOR) is to achieve compliance with the state's tax laws to ensure the collection of revenue needed to fund state and local government services. The state funds services provided by local governments through a variety of direct transfer payments. DOR actively participates in this process by making direct-transfer payments to cities and counties. Also, DOR administers local sales taxes, and helps collect debts owed to state and local government agencies and the courts through tax-refund offset and direct-collection activities. Income and transactions data collected by DOR from tax returns also provide much of the basis for the Department of Finance's state revenue forecasts that are critical to the overall state budget process.

The DOR strives to achieve a state and local revenue system which is characterized by:

- **tax compliance** -every taxpayer pays the legally required amount of tax; no more and no less.
- **taxpayer satisfaction** -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.
- **operational excellence** -DOR contributes to making the state and local revenue system more fair, efficient, reliable, competitive and understandable in both design and operation.

To achieve these outcomes, the agency must ensure that its employees have the support they need to do their jobs.

Of all revenues raised by the state of Minnesota in F.Y. 1998, the Department of Revenue collected 77% principally through the income, sales, corporate franchise and petroleum taxes. The amount collected by DOR represents 60% of the total amount of revenue needed to fund the state's biennial budget.



In F.Y. 1998, the Department of Revenue collected \$65.7 million in taxes on behalf of local governments; allocated and paid \$1.05 billion in property tax relief payments to local governments under a variety of state aid formulas; paid \$649 million in permanent and one-time property tax relief payments directly to homeowners; determined the equalized tax base value for allocating \$2.7 billion in state aids to school districts; established the standards and guidelines for the classification and assessment of real property; and oversaw the levy of \$4.7 billion in local property taxes.

KEY SERVICE STRATEGIES:

Voluntary tax compliance is at the foundation of the state's revenue system. Voluntary tax compliance means that taxpayers understand their responsibility, are given the appropriate information and service to correctly determine their liability, and meet their payment obligations. Each year, 95% of total state tax receipts are remitted voluntarily; only about 5% (\$508 million in F.Y. 1997) come from DOR's audits of taxpayers and delinquent tax collection activities. DOR's fundamental business strategy is to support and extend voluntary tax compliance through a 5 step *Achieving Tax Compliance Cycle*. All of these tools are designed to support voluntary compliance.

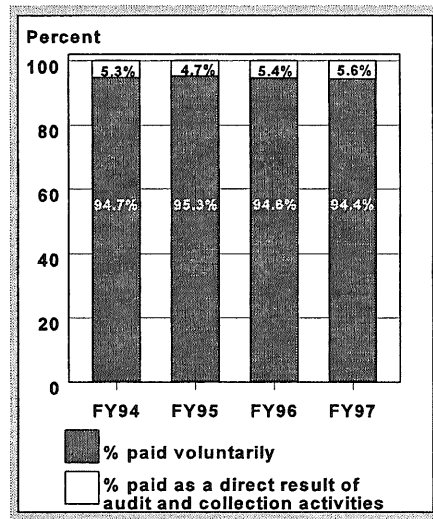
2000-01 Biennial Budget
Agency Executive Summary

AGENCY: Revenue, Department of (DOR)
(Continuation)

Voluntary Compliance

Maintaining and improving voluntary tax compliance is the foundation of the state revenue system.

Dollars collected (millions)		
voluntary audit/coll		
FY94	\$6,940	\$385
FY95	7,658	381
FY96	7,947	458
FY97	8,555	508



OPERATING ENVIRONMENT

State tax revenues are the product of 3 factors:

Policy. The tax base and rates enacted in law are expected to provide a specific amount of revenue.

The Economy. The rate of economic growth affects the tax base, particularly for income and consumption taxes. Economic changes influence actual and expected revenue streams.

Compliance. The degree to which taxable income and transactions are reported accurately and paid fully determines whether the expected revenue stream from a tax law is realized. Compliance, in turn, is the product of multiple factors, including the clarity of the tax laws and interpretations, taxpayer attitudes, and the effectiveness of education, service and feedback activities by both state government and tax practitioners.



While overall tax compliance levels are difficult to measure without widespread audit presence, available data suggest that over 10% of legally taxable income and transactions go unreported to the state each year--a sum that would have exceeded well over \$1 billion in F.Y. 1997.

Strong, sustained economic growth during the 1990s has led to large increases in tax receipts. However, DOR will be challenged to maintain or improve tax compliance levels in the event of any future economic downturn.

Information technology and the explosive growth in the use and cost of electronic commerce is both the greatest threat to and the best opportunity for the state revenue system:

- The 30-year old computer processing systems supporting the state income tax are inflexible and perform poorly, posing an increasing risk of performance

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Revenue, Department of (DOR)
(Continuation)

degradation and failure. They need to be replaced as part of a business-process reengineering of the income tax system.

- Tax policy must be adapted to a world in which traditional types of taxable transactions will occur in cyberspace without an obvious location and paper trail. Also, new types of industries and new types of business practices will arise that twentieth-century tax policy did not anticipate.
- Taxpayers are expecting and demanding a growing array of electronic options for exchanging information and completing transactions. Simultaneously, the information needed to evaluate taxpayer compliance is increasingly accessible only in electronic form. While current workflows and systems limit the ability of DOR to respond, redesigned work-processes supported by the appropriate technology offer opportunities for dramatic improvement in both taxpayer satisfaction and tax compliance outcomes.

ORGANIZATION/PROGRAM STRUCTURE:

COMMISSIONER AND EXECUTIVE MANAGEMENT		
Minnesota Tax System Management		
Income Tax System		211 fte
Business, Excise & Consumption Tax System		226 fte
Property Tax & State Aid System		47 fte
Tax Operations		578 fte
Legal & Research		58 fte
Administrative Support		72 fte
Accounts Receivable Management (MCE)		39 fte

6/30/98 TOTAL FTEs 1,231

Department of Revenue Staff Positions *

	<u>F.Y. 1994</u>	<u>F.Y. 1996</u>	<u>F.Y. 1998</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Tax System Mgmt:					
Income Tax	235	245	211	200	189
Business, Excise	260	233	226	220	213
Property Tax	52	50	47	45	44
Legal & Research	63	58	58	56	56
Tax Operations	628	574	578	565	549
Admin. Support	64	79	72	68	65
Total Tax Sys. Mgmt.	1,302	1,239	1,192	1,154	1,116
Accts. Rec. Mgmt.(MCE)	-0-	29	39	39	39
TOTAL	1,302	1,268	1,231	1,193	1,155

* Full time equivalents as of 6/30

To achieve its mission, DOR relies heavily on partnerships with the Internal Revenue Service (IRS), local governments, volunteer taxpayer-assistance organizations, tax practitioners, accountants, software firms and other information and service providers. To maintain effective contact with taxpayers, DOR staff are located in a network of offices throughout Minnesota and the nation.

GOVERNOR'S RECOMMENDATIONS:

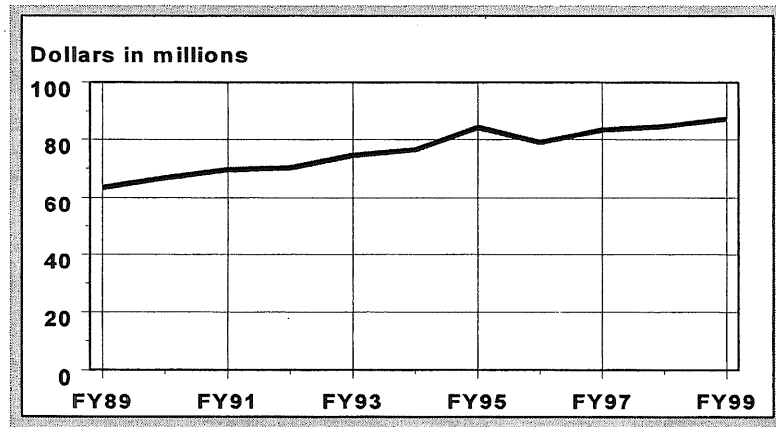
The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments: a biennial increase in funding of \$8.0 million for the income tax reengineering initiative and \$1.31 million for the building-related expense initiative. The Governor also recommends creating a revolving account to fund the acquisition of cigarette tax stamps.

**2000-01 Biennial Budget
Agency Executive Summary**

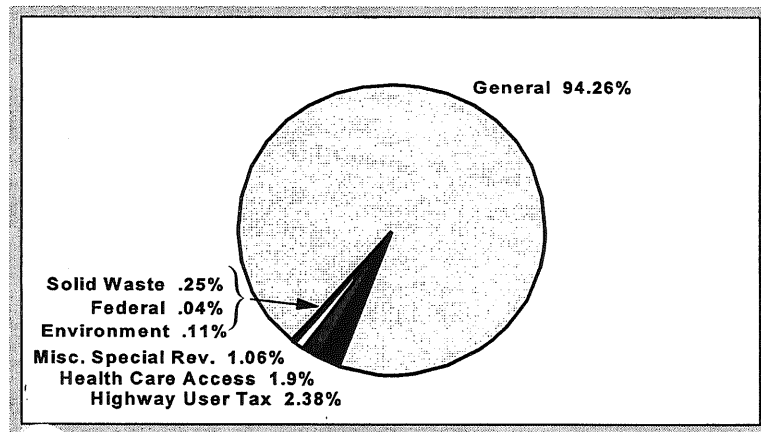
AGENCY: Revenue, Department of (DOR)
(Continuation)

TRENDS AND PERSPECTIVE:

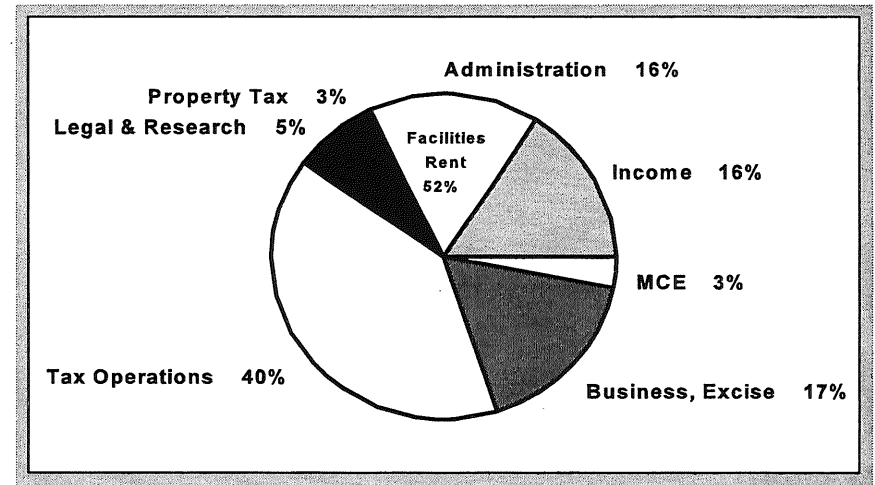
Total Expenditures - All Funds



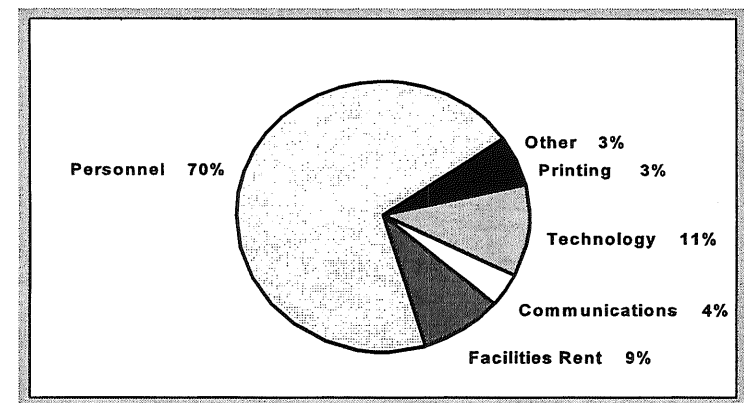
**1998-99 Expenditures by Fund
Total \$176.26 million**



**1998-99 Expenditures by Budget Activity
Total \$176.26 million**



**1998-99 Expenditures by Category
Total \$176.26 million**



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
MINN TAX SYSTEM MANAGEMENT	82,756	83,786	92,519	88,114	96,809	90,010	90,665	11,169	6.3%
ACCOUNTS RECEIVABLE MANAGEMENT	4,116	3,797	7,230	5,486	5,486	5,557	5,557	16	.1%
Total Expenditures	86,872	87,583	99,749	93,600	102,295	95,567	96,222	11,185	6.0%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	79,106	79,715	85,081	83,371	92,026	85,262	85,877
HEALTH CARE ACCESS	1,330	1,412	1,877	1,692	1,692	1,721	1,721
HIGHWAY USERS TAX DISTRIBUTION	1,837	1,887	2,248	2,129	2,129	2,173	2,173
ENVIRONMENTAL	102	96	98	101	101	104	104
SOLID WASTE	49	201	256	200	200	200	200
OPEN APPROPRIATIONS:							
GENERAL	2,017	1,428	1,900	1,900	1,900	1,900	1,900
STATUTORY APPROPRIATIONS:							
GENERAL	0	268	583	0	0	0	0
SPECIAL REVENUE	903	777	1,666	1,207	1,247	1,207	1,247
FEDERAL	53	69	21	0	0	0	0
AGENCY	1,475	1,730	6,019	3,000	3,000	3,000	3,000
Total Financing	86,872	87,583	99,749	93,600	102,295	95,567	96,222

FTE BY EMPLOYMENT TYPE:							
FULL TIME	1.072.5	1.044.1	1.043.4	1.004.8	1.004.8	966.5	966.5
PART-TIME, SEASONAL, LABOR SER	155.0	182.3	183.2	183.2	183.2	183.2	183.2
OVERTIME PAY	3.9	5.0	4.9	4.9	4.9	4.9	4.9
Total Full-Time Equivalent	1.231.4	1.231.4	1.231.5	1.192.9	1.192.9	1.154.6	1.154.6

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of (DOR)

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$83,315	\$83,315	\$166,630
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(1,932)	(1,932)	(3,864)
Annualization of New Program Costs	(16)	(15)	(31)
One-Time Systems Development Costs	(425)	(413)	(838)
Permanent Transfers Between Agencies	719	742	1,461
Documented Rent/Lease Decrease	(116)	(69)	(185)
Statewide Administration Systems	77	77	154
2000-01 Salary and Benefits	<u>1,749</u>	<u>3,557</u>	<u>5,306</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$83,371	\$85,262	\$168,633
<u>CHANGE ITEMS</u>			
Income Tax Reengineering	8,000	-0-	8,000
Cigarette Tax Stamp Revolving Account	-0-	(40)	(40)
Building Furniture Lease Payment	435	435	870
Building Digital Phone System Maintenance	125	125	250
Building Security Firewall Maintenance	<u>95</u>	<u>95</u>	<u>190</u>
GOVERNOR'S RECOMMENDATION	\$92,026	\$85,877	\$177,903

Brief Explanation of Budget Decisions:

- In order to maintain essential information systems operations in the face of anticipated 13 and 10% annual cost increases for information technology staff during the F.Y. 2000-01 biennium, and to begin minimal essential reinvestment in obsolete information systems supporting the state income tax, the department will allocate 75% the compensation-related growth in its base budget (\$4.16 million of a total compensation inflation of \$5.52 million over the biennium) for all funds, to the information systems component of the tax operations activity.
- The department's budget plan for all other activities in the Tax System Management program will be to hold them constant at the F.Y. 1999 level (excepting adjustments related to 1997 and 1998 legislative enactments). With

nearly 70% of the F.Y. 1999 budget devoted to personnel costs, the impact of absorbing anticipated annual payroll cost increases for non-IS staff during F.Y. 2000-01 will result in a reduction of 77 FTEs by F.Y. 2001. This reduction in positions will impact activities dedicated to taxpayer education, service, audit, and enforcement, and will be achieved mostly through normal attrition.

- Base adjustments include: the removal of \$1.837 million of F.Y. 1999 appropriations for one-time costs to administer the property tax rebate, and a permanent reduction of \$95,000 to reverse a base increase in F.Y. 1999 for administering the property tax refund as a direct deduction of the property tax statement; the reduction of \$31,000 for one-time costs within the 1997 and 1998 tax bill appropriations for new programs; a reduction of \$838,000 for one-time systems development costs included in the F.Y. 1999 appropriation to the Minnesota Collection Enterprise; an increase of \$1.461 million for permanent transfers between agencies for accounts receivable funding (previously appropriated to the Department of Finance), the uniform pension bill reduction, and the 1999 salary supplement for seasonals; a reduction in rent due to DOR's relocation to 600 N. Robert, and the 3% annual compensation-related base adjustment.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$177.903 million, which includes funding for the following initiatives:

- \$8.0 million for reengineering of the business processes of supporting the state income tax
- \$870,000 for the furniture lease payment associated with the department's physical relocation
- \$250,000 for the digital telephone system
- \$190,000 for the maintenance of the network security firewall
- \$40,000 reduction in F.Y. 2001 resulting from establishing a cigarette tax stamp revolving account in F.Y. 2000.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of (DOR) **Fund:** Health Care Access

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$1,668	\$1,668	\$3,336
<u>BASE ADJUSTMENT</u>			
Documented Rent/Lease Decrease	(6)	(5)	(11)
2000-01 Legal Services Inflation	1	1	2
Statewide Administration Systems	1	1	2
2000-01 Salary and Benefits	<u>28</u>	<u>56</u>	<u>84</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$1,692	\$1,721	\$3,413
<u>CHANGE ITEMS</u>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATION	\$1,692	\$1,721	\$3,413

Brief Explanation of Budget Decisions:

- The plan includes estimated decreases in rent of \$6,000 in F.Y. 2000 and \$5,000 in F.Y. 2001 due to DOR's relocation to 600 N. Robert.
- The plan includes legal services inflation base adjustments of 3% annually.
- The plan includes compensation-related base adjustments of 3% annually.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of (DOR) **Fund:** Highway User Tax Distribution

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$2,091	\$2,091	\$4,182
<u>BASE ADJUSTMENT</u>			
Documented Rent/Lease Decrease	(7)	(6)	(13)
2000-01 /Legal Services Inflation	1	2	3
Statewide Administration Systems	2	2	4
2000-01 Salary and Benefits	<u>42</u>	<u>84</u>	<u>126</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$2,129	\$2,173	\$4,302
<u>CHANGE ITEMS</u>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATION	\$2,129	\$2,173	\$4,302

Brief Explanation of Budget Decisions:

- The plan includes estimated decreases in rent of \$7,000 in F.Y. 2000 and \$6,000 in F.Y. 2001 due to DOR's relocation to 600 N. Robert.
- The plan includes legal services inflation base adjustments of 3% annually.
- The plan includes compensation-related base adjustments of 3% annually.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of (DOR)

Fund: Environmental

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$98	\$98	\$196
<u>BASE ADJUSTMENT</u>			
2000-01 Salary and Benefits	<u>3</u>	<u>6</u>	<u>2</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$101	\$104	\$205
<u>CHANGE ITEMS</u>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATION	\$101	\$104	\$205

Brief Explanation of Budget Decisions:

- The plan includes compensation-related base adjustments of 3% annually.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

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2000-01 Biennial Budget

PROGRAM: Minnesota Tax System Management

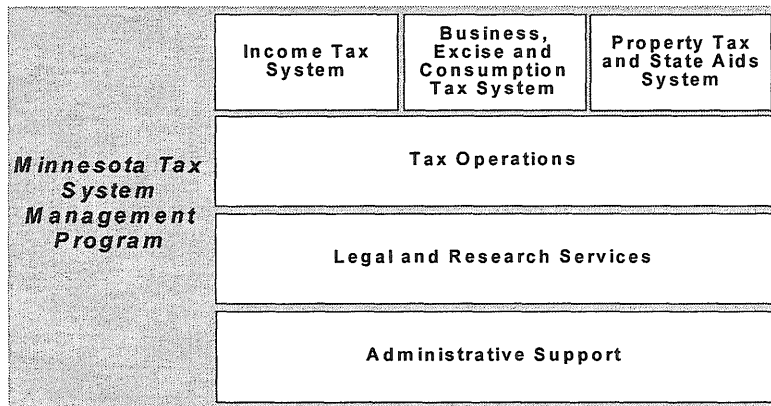
AGENCY: Revenue, Department of (DOR)

PROGRAM PROFILE:

The mission of Tax System Management is to achieve compliance with Minnesota's tax laws and meet the 3 specific outcomes of tax compliance, taxpayer satisfaction and operational excellence.

In F.Y. 1998 the program administered 28 different taxes for 3.4 million individual taxpayers and more than 220,000 business taxpayers, and oversaw the state payment of property tax aids and the levy of local property taxes for 3,400 local tax districts. To deliver services to its customers, it relies on partnerships with the IRS, other state agencies, local governments, tax practitioners, accountants, collection agencies, civic and volunteer organizations and the commercial software industry.

The program is composed of 6 interrelated activities:



STRATEGIES AND PERFORMANCE:

The department's fundamental business strategy is to:

- apply the *Achieving Tax Compliance Cycle* of sound tax policy, education, service, feedback, and enforcement in ways that reflect a customized approach to meeting diverse taxpayer needs,

- effectively leverage partnerships, technology, and unique departmental capabilities to achieve balanced tax compliance, taxpayer satisfaction, and operational excellence outcomes.

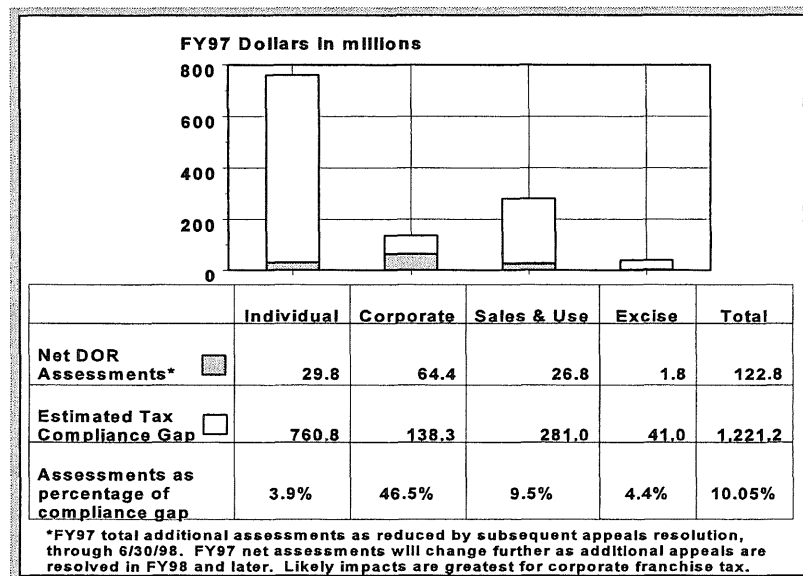
Tax compliance. The department's strategy to maintain and improve tax compliance is twofold:

- The vast majority of taxpayers who want to comply with the tax laws get the support and service they need to be successful and stay that way. These taxpayers provide 95% of current state tax revenues. The key strategies for these customers are information and service delivered through accountants and practitioners, written forms and instructions, telephone, internet and personal contacts.
- The minority of taxpayers who will not voluntarily comply are identified and get appropriate attention to bring them into compliance. The key strategies for these customers involve taxpayer discovery, audit and collection activities. As staff available for audit and collection functions have declined, DOR has developed new approaches to maintain some audit presence, and make use of private agencies to help collect delinquent taxes.

The department's success in gaining compliance from all taxpayers is only partial. The "tax gap" between what should be reported and paid on legal economic activity and actual tax receipts is notoriously difficult to measure. However, a 1992 University of Michigan study estimated Minnesota's F.Y. 1990 tax gap at \$761 million. Applying the same ratio to current receipts, the tax gap would have easily exceeded \$1 billion by F.Y. 1997. By comparison, the department's total audit activities yielded an additional \$122.8 million in additional tax assessments in F.Y. 1997.

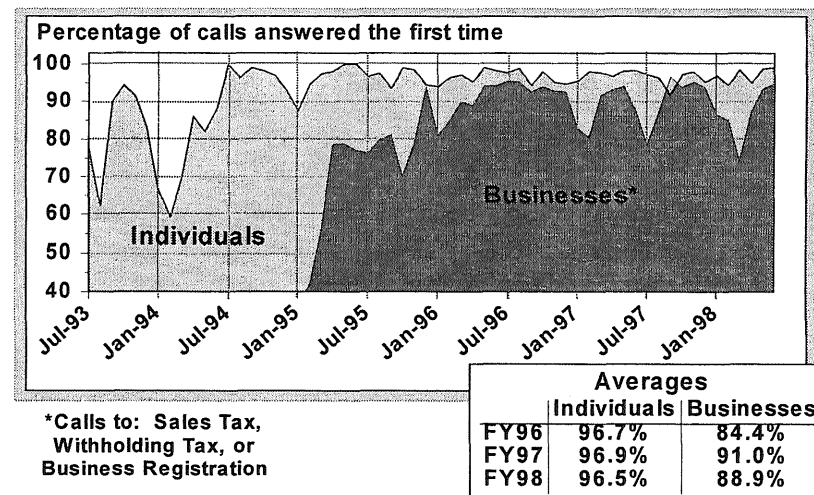
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

Compliance Gap vs. Assessments



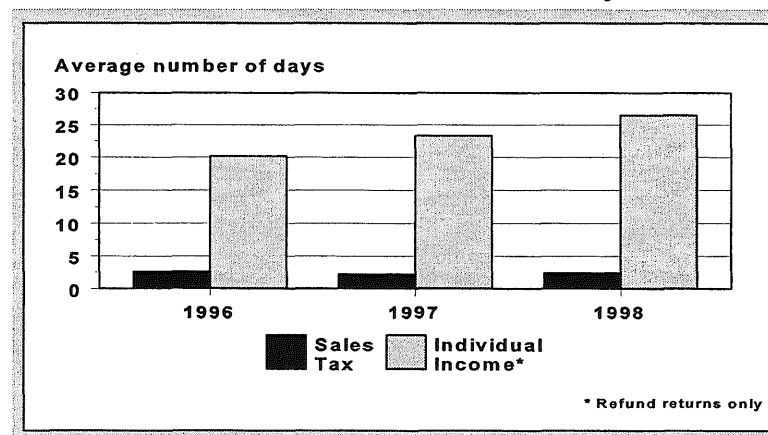
Taxpayer satisfaction. The department's strategy is to learn about customer-service expectations and requirements through a variety of means, including taxpayer surveys, focus groups, and more informal feedback methods, and then to design and deliver products and services that respond to those needs. Outcomes are measured directly through customer-satisfaction surveys and indirectly via DOR's performance in key service areas. An example of the latter is telephone service. Taxpayers told the department it was important that it be more accessible via phone, and in response DOR introduced new processes and technologies to improve and sustain telephone service levels.

Phone Service Levels



Operational excellence. DOR's strategy for processing taxpayer transactions quickly and accurately relies heavily on taking advantage of modern electronic information systems. In the individual income tax system, performance is inadequate due to obsolete technology and business processes. The sales and use tax system was reengineered in the early 1990s, and operational performance is much better as a result.

Return Information Availability

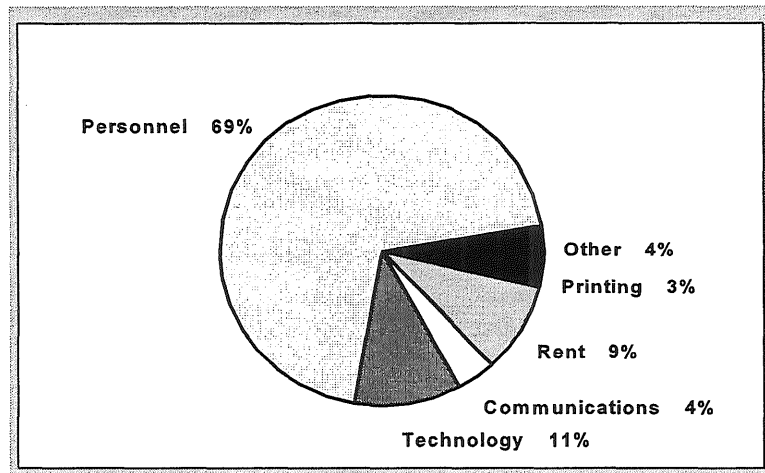


2000-01 Biennial Budget

PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

FINANCING INFORMATION:

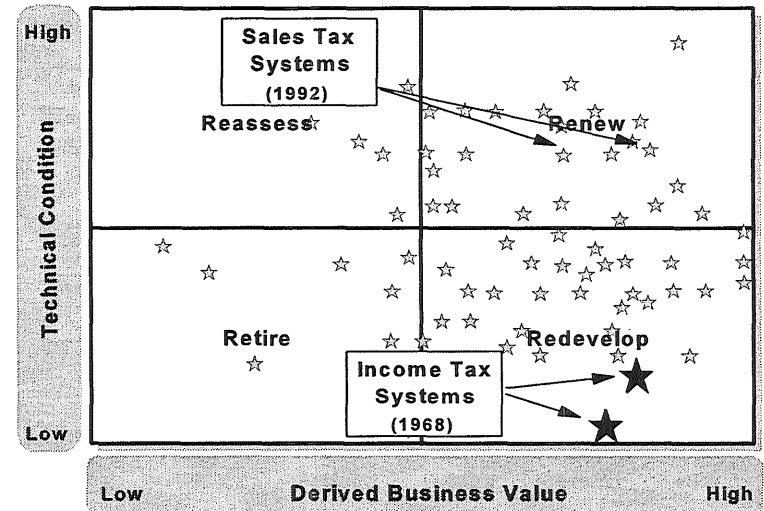
Tax System Management 1998-99 Expenditures by Category Total \$171.44 million



BUDGET ISSUES:

Obsolete department computer systems. Key components of the department's information systems--especially those supporting the income tax system--date back to the 1960s. These systems face mounting difficulty in meeting contemporary standards for transaction volumes, complexity and speed, and are at increasing risk of degraded performance or outright failure. A portfolio assessment of all computer applications ranked the income tax computer systems as having both the highest business value and the poorest technical condition of any in the department.

DOR Information Systems Assessment



Increasing costs of maintaining information systems. While reliance on electronic information systems grows, associated costs especially for labor are growing even faster. Costs for state and contract information systems (IS) staff are projected to increase by 13% in F.Y. 2000 and 10% in F.Y. 2001, and total information technology expenditures (including staff costs) are projected to increase from 20% of the program's budget in F.Y. 1998 to 30% by F.Y. 2001, just to maintain current operations and performance levels.

Cost pressures and service demands. Resources for maintaining current taxpayer service and compliance efforts are stretched by rising service demands on the customer side and increasing cost pressures on tax operations due to increasing costs for IS staff and the need to replace obsolete technology. This will result in further decreases in staff dedicated to direct taxpayer service and compliance activities.

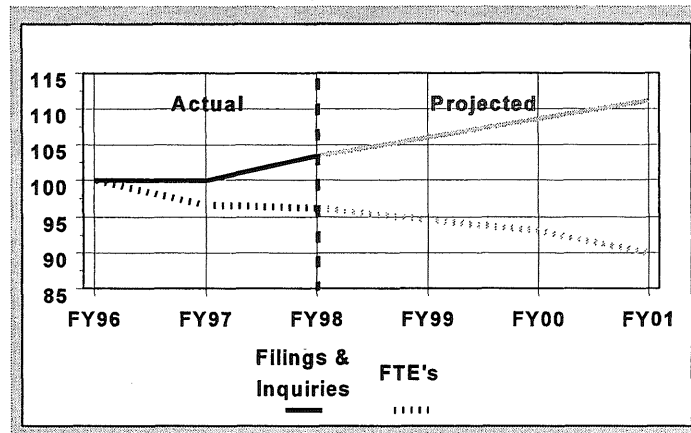
2000-01 Biennial Budget

PROGRAM: Minnesota Tax System Management

AGENCY: Revenue, Department of (DOR)

(Continuation)

**Taxpayer filings and inquiries compared
to full time equivalent positions in
Tax Systems Management, indexed to F.Y. 1996**



The department's strategy for coping with increasing demands for service and for improving compliance with the tax laws will be to make greater use of electronic commerce technology. DOR plans to use this technology to provide taxpayers with information and assistance, to conduct filing and payment transactions, and to identify businesses involved in electronic commerce that are not compliant with the tax laws. Progress in this area will be impeded by the need to invest available funds to cope with performance problems in the antiquated computer systems that support the individual income tax system.

Electronic commerce creates new policy and compliance issues. Increasing numbers of transactions occur across state and national borders, often by means of mail order catalogues or the Internet. This makes it more difficult to detect transactions and to determine responsibility for the payment of taxes. Electronic commerce also makes possible new forms of business to which tax policy must adjust from electric utility deregulation to the increasing delivery of information and entertainment in tax-exempt virtual forms that would be taxable when

delivered by more traditional means.

Complexity of the tax system. Complicated tax laws raise costs for both taxpayers and the department, reduce compliance, give rise to more disputes, and erode public confidence in government. The department needs to continue to work in close cooperation with tax policy makers and local units of government to develop ways to bring more understandability, accountability and efficiency to the state's tax system.

Changing taxpayer profiles and behavior. The service needs of individual taxpayers are becoming more varied due to increasing mobility, demographic changes and diverse income sources. More and more businesses are national and even international in scope, and they are more aggressive in challenging state tax laws and practicing tax avoidance as strategies to reduce operating costs.

Changing DOR workforce. DOR has a very stable, highly experienced staff of long-term employees. Because of very limited new hiring in recent years, the average tenure has increased to a point where 39% of all staff and 55% of supervisors and managers will become eligible for retirement by 2003. This poses the risk of a serious loss of institutional memory in the coming years. In the short term, this poses challenges to DOR's staff as it adopts new technologies and develops new products and services. Over the longer term it will require continuing investments to develop the skills of current employees to perform new jobs, and the adoption of effective strategies to attract new employees and retain them.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments: a biennial increase in funding of \$8.0 million for the income tax reengineering initiative and \$1.31 million for the building related expense initiative. The Governor also recommends creating a revolving account to fund the acquisition of cigarette tax stamps.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT

Program: MINN TAX SYSTEM MANAGEMENT

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
INCOME TAX SYSTEM	14,746	14,159	14,576	14,077	22,077	14,078	14,078	7,420	25.8%
BUSINESS EXCISE & CONSUMPTION	14,938	14,584	15,720	15,303	15,343	15,373	15,373	412	1.4%
PROPERTY TAX & STATE AIDS SYS	2,790	2,755	2,830	2,799	2,799	2,799	2,799	13	.2%
TAX OPERATIONS	34,236	34,846	38,430	37,434	37,434	38,699	38,699	2,857	3.9%
LEGAL & RESEARCH SERVICES	3,796	3,794	3,924	3,813	3,813	3,817	3,817	(88)	-1.1%
ADMINISTRATIVE SUPPORT	12,250	13,648	17,039	14,688	15,343	15,244	15,899	555	1.8%
Total Expenditures	82,756	83,786	92,519	88,114	96,809	90,010	90,665	11,169	6.3%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) BUILDING FIREWALL	GEN			95	95
(B) BUILDING FURNITURE LEASE	GEN			435	435
(B) CIGARETTE TAX STAMP REVOLVING ACCT	GEN				(40)
(B) CIGARETTE TAX STAMP REVOLVING ACCT	SR			40	40
(B) DIGITAL PHONE SYSTEM	GEN			125	125
(B) INCOME TAX REENGINEERING	GEN			8,000	
Total Change Items				8,695	655

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	76,465	77,648	82,330	80,885	89,540	82,705	83,320
HEALTH CARE ACCESS	1,330	1,412	1,877	1,692	1,692	1,721	1,721
HIGHWAY USERS TAX DISTRIBUTION	1,837	1,887	2,248	2,129	2,129	2,173	2,173
ENVIRONMENTAL	102	96	98	101	101	104	104
SOLID WASTE	49	201	256	200	200	200	200
OPEN APPROPRIATIONS:							
GENERAL	2,017	1,428	1,900	1,900	1,900	1,900	1,900
STATUTORY APPROPRIATIONS:							
GENERAL	0	268	583	0	0	0	0
SPECIAL REVENUE	903	777	1,666	1,207	1,247	1,207	1,247
FEDERAL	53	69	21	0	0	0	0
AGENCY	0	0	1,540	0	0	0	0

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT

Program: MINN TAX SYSTEM MANAGEMENT

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
Total Financing	82,756	83,786	92,519	88,114	96,809	90,010	90,665
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	1.056.0	1.016.2	1.015.5	976.9	976.9	938.6	938.6
PART-TIME, SEASONAL, LABOR SER	138.2	171.3	172.2	172.2	172.2	172.2	172.2
OVERTIME PAY	3.8	4.9	4.8	4.8	4.8	4.8	4.8
Total Full-Time Equivalent	1,198.0	1,192.4	1,192.5	1,153.9	1,153.9	1,115.6	1,115.6

2000-01 Biennial Budget

BUDGET ACTIVITY: Income Tax System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

ACTIVITY PROFILE:

The Income Tax System administers the individual income tax, withholding tax, corporate franchise tax, small business tax, partnership tax, fiduciary tax, estate tax and limited-liability company tax. It also administers the property tax refund.

The Income Tax System serves over 3 million taxpayers annually, including approximately 2.3 million individual income tax filers, 120,000 withholding tax filers, 55,000 corporate franchise tax filers, 52,000 small business tax filers, 32,000 partnership tax filers, 46,000 fiduciary tax filers and 1,500 estate tax filers. These taxpayers account for over half of the state's total tax collections each year.

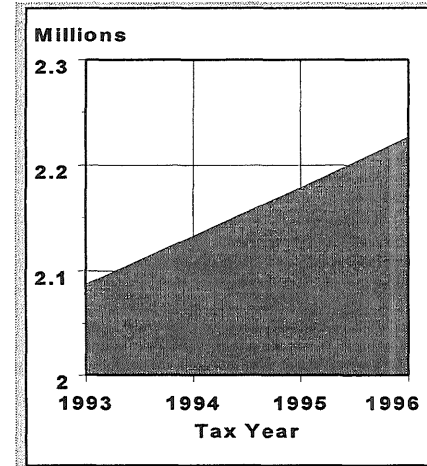
STRATEGIES AND PERFORMANCE:

The Income Tax System employs the compliance cycle activities of policy, education, service, feedback and enforcement to achieve tax-compliance and taxpayer-service outcomes. These activities have produced the following results:

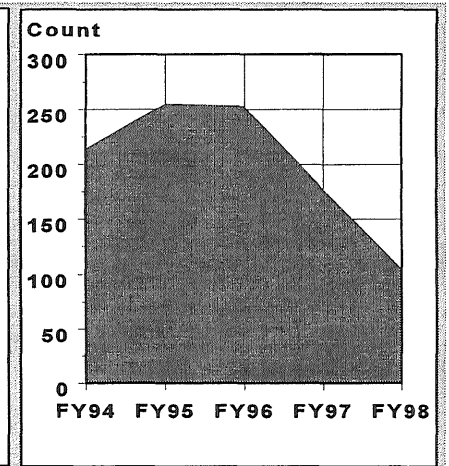
Tax compliance. Income Tax system net tax receipts from all the system tax types have increased dramatically during this biennium from \$4.9 billion in F.Y. 1996 to \$5.6 billion in F.Y. 1998. These receipts reflect continued strong growth in personal incomes and corporate profits. However, indirect measures of actual tax compliance levels indicate that the performance of the income tax system can be significantly improved.

Individual income tax. Estimates based on federal data suggest a state income tax compliance gap in the neighborhood of 16% of total annual voluntary receipts, roughly \$761 million in F.Y. 1997, mostly due to under-reported income, overstated deductions, and nonfilers. Against this, DOR net income tax audit adjustments totaled \$29.8 million in F.Y. 1997.

**Individual Income Tax
Annual Filers**

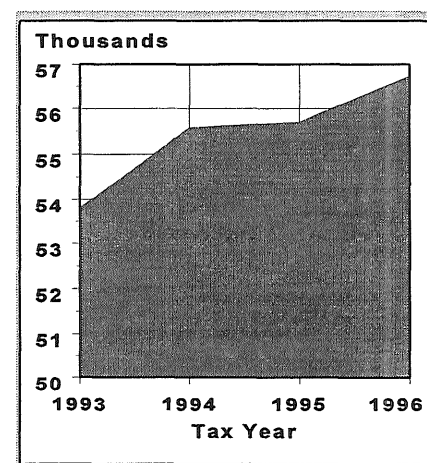


Audits per 10,000 Tax Filers

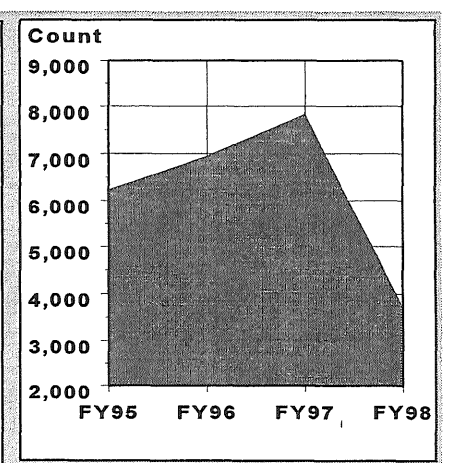


Corporate franchise tax. A similar corporate franchise tax compliance gap exists. Estimates based on samples of corporate audit results suggest that the size of the gap is approximately 20% of total annual voluntary receipts. Estimates derived from federal data suggest a compliance gap of approximately \$138 million for F.Y. 1997. This gap is due mostly to disputed unitary determinations and differences over the apportionment formula. DOR net corporate franchise tax audit adjustments totaled \$64.3 million in F.Y. 1997.

**Corporate Franchise Tax
Annual Filers**



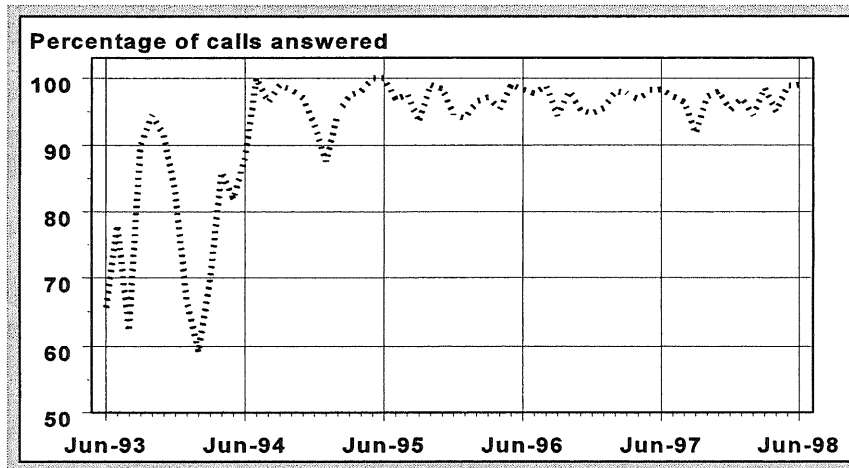
Completed Corporate Audits



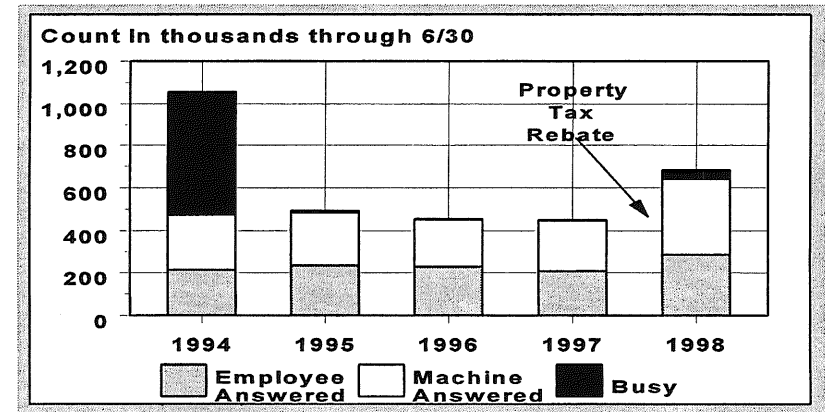
BUDGET ACTIVITY: Income Tax System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

Taxpayer satisfaction. DOR has placed a high priority on being accessible to taxpayers by phone. Only 5% of the callers to DOR get a busy signal on their first call. This level of service comes under increasing pressure when tax laws change significantly, or when tax refund processing times exceed accustomed standards. Both of these occurred during the 1998 filing season when the property tax rebate was added to the income tax return. However, DOR was able to maintain service levels using additional rebate budget dollars and diverting staff from other activities.

Telephone Taxpayer Assistance Phone Service Level



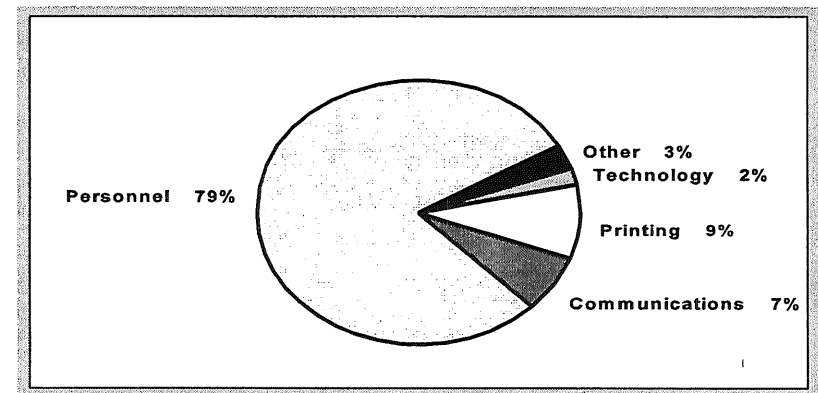
Telephone Taxpayer Assistance Phone Calls



Another factor that affects individual taxpayer satisfaction is the speed with which DOR raises or responds to issues concerning a prior-year's tax return. Customer focus groups and surveys show that when DOR makes adjustments or inquires about their returns, taxpayers want early, clear communications from the department. Current performance of the income tax system in this respect is inadequate. Slowness in incorporating federal data and adjustments can result in delays of up to 3 years between the filing of an income tax return and department contact with the filer.

FINANCING INFORMATION:

Income Tax 1998-99 Expenditures by Category Total \$28.74 million



2000-01 Biennial Budget

BUDGET ACTIVITY: Income Tax System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

Income Tax System Revenues (Dollars in thousands)

	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>
Individual Income Tax:		
Withholding	\$3,815,297	\$4,172,413
Estimated Tax Payments	899,213	934,108
Payments with Return	615,872	499,666
Refunds	(545,581)	(856,654)
Income Tax Reciprocity	31,887	37,872
Estate/Inheritance Tax	48,944	61,612
Corporate Franchise	<u>680,898</u>	<u>752,061</u>
Total	\$5,546,530	\$5,601,078

BUDGET ISSUES:

The major budget issue for the income tax activity is the inadequacy of the individual income tax system in meeting the needs of customers and stakeholders--due both to the systems' underlying business practices and antiquated computer information systems. The core income tax processes and computer systems are nearly 30 years old and have major problems in several key areas:

Taxpayer service - The current computer system is inflexible and unresponsive. DOR does not have the ability to offer taxpayers the electronic filing and payment options they increasingly expect. Too often, incorrect information about taxpayer accounts and filing status is provided.

Tax and budget policy implementation - DOR computer systems cannot respond efficiently to changes in tax law--such as last year's 1997 property tax rebate program. Delays and errors in capturing return and payment information affect the quality of state revenue forecasts.

Compliance - The problem of late or inadequate data also limits DOR's ability to achieve compliance through proper audit, information and service activities. The compliance gap between taxes owed and taxes actually paid is growing, while our ability to identify non-filers and evaders is crippled by our processing and data management problems.

Risk and cost management - The risk of system failure grows each year. The difficulty in keeping the old system running and in modifying programs written in obsolete program languages have concerned DOR for a decade. The department is at risk of losing the system either incrementally--continuing the gradual decline of efficiency and reliability--or catastrophically under the stress of operations or modifications. DOR also experiences increasing unit and system operating costs and declining system performance as seen in delays in the property tax rebate and political contribution refund.

Ensuring the future reliability of the income tax system and improving its performance requires reengineering. DOR needs to rethink and redesign work processes to yield better results, and it needs select and implement the appropriate supporting technologies.

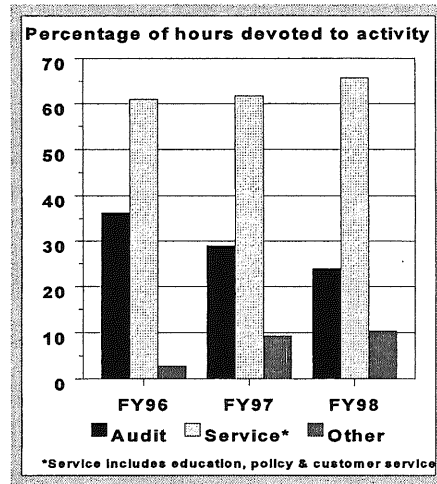
A related budget issue facing the Income Tax System is the continuing decline in staff resources available to address decreasing tax compliance presence. This is due to a combination of factors:

- Overall DOR resources are increasingly diverted to maintain essential information systems and tax operations activities, leaving reduced real resources after contractual salary increases and other cost pressures are absorbed. Greater postage and print media costs for traditional paper income tax returns are caused by increasingly complex law changes--requiring more pages of instructions and forms.
- Resources within the activity have been redeployed to ensure service outcomes and to help compliant taxpayers comply with the tax laws. The result is that fewer staff--especially fewer compliance staff--are available to address the most severe tax compliance problems.

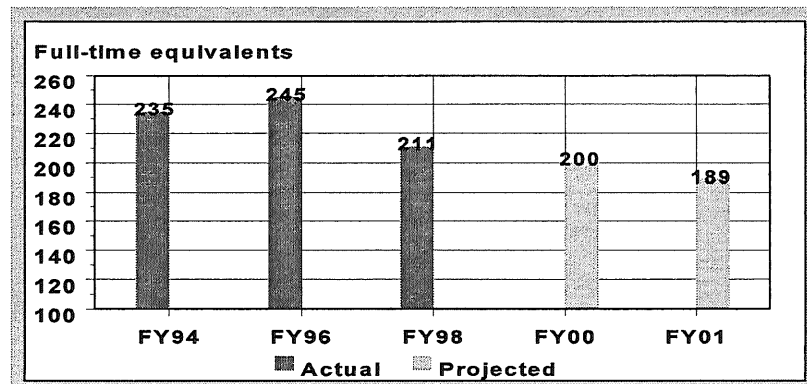
2000-01 Biennial Budget

BUDGET ACTIVITY: Income Tax System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

Individual Income Tax Ensure Compliance Hours

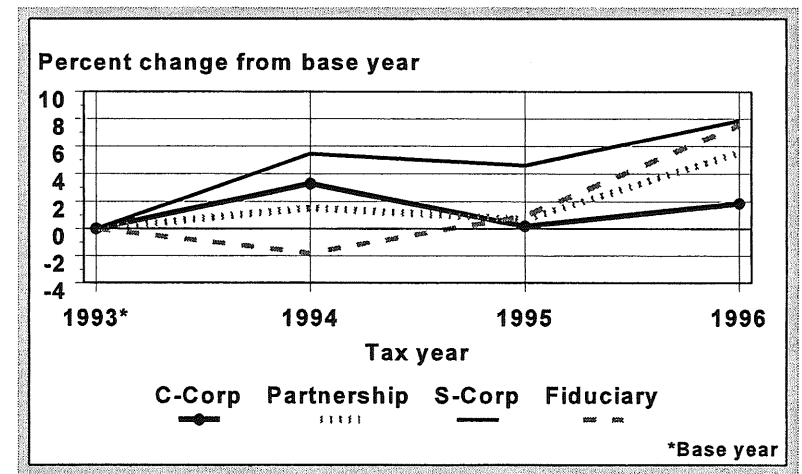


Income Tax System Staff Positions



Ability to respond to eroding corporate franchise tax compliance levels - In the corporate franchise tax, the complexity of the tax code in allocating the correct proportion of income of multistate or multinational corporations to Minnesota for tax purposes has created opportunities for some taxpayers to use increasingly aggressive tax-avoidance strategies. This results in 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. All of these issues are further complicated by the increased numbers of filers of partnership and S Corp returns, and the frequency with which a tax entity can change its tax status to take advantage of constantly changing tax law. DOR faces significant challenges in aligning available resources to increase corporate franchise tax compliance levels.

Business Income Tax Filers



Impact of court decisions. Recent court decisions on the issues of what corporate income is taxable in Minnesota and on what keeps the statute of limitations open have the potential for significant impact during F.Y. 2000-01. There is a possibility that corporate compliance staff will have to be diverted to work through large numbers of complicated refund claims--further weakening DOR's overall compliance presence.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT
Program: MINN TAX SYSTEM MANAGEMENT
Activity: INCOME TAX SYSTEM

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	11,119	11,304	11,266	11,064	11,064	11,065	11,065	(441)	-2.0%
OPERATING EXPENSES	3,627	2,855	3,310	3,013	11,013	3,013	3,013	7,861	127.5%
SUBTOTAL STATE OPERATIONS	14,746	14,159	14,576	14,077	22,077	14,078	14,078	7,420	25.8%
Total Expenditures	14,746	14,159	14,576	14,077	22,077	14,078	14,078	7,420	25.8%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) INCOME TAX REENGINEERING	GEN			8,000					
Total Change Items				8,000					
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	14,746	14,159	14,576	14,077	22,077	14,078	14,078		
Total Financing	14,746	14,159	14,576	14,077	22,077	14,078	14,078		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	234.7	204.6	207.2	196.2	196.2	185.2	185.2		
PART-TIME, SEASONAL, LABOR SER	6.5	6.2	3.6	3.6	3.6	3.6	3.6		
OVERTIME PAY	0.5	0.5	0.5	0.5	0.5	0.5	0.5		
Total Full-Time Equivalent	241.7	211.3	211.3	200.3	200.3	189.3	189.3		

F.Y. 2000-2001 Information Technology New Funding

AGENCY: REVENUE DEPT

PROGRAM: MINN TAX SYSTEM MANAGEMENT

ACTIVITY: INCOME TAX SYSTEM

IT Change Item: INCOME TAX REENGINEERING

The Minnesota state income tax generates state revenues of over \$5 billion annually. The Department of Revenue expends approximately \$37 million of its annual operating budget to administer the income tax system. Requested funds are to finance design and implementation of new business processes and appropriate supporting information technology. Among the many targets for redesign is the goal that the new business processes will operate at no more than the current cost levels once implemented.

The department also requests authority to carry forward unexpended general fund dollars from its budget at the end of each biennium for major technology investments associated with migrating data systems from obsolete infrastructure and to support taxpayer filing and service initiatives. Funds would be available until expended, and any funds expended from this account must be approved by the Commissioner of Finance and the chairs of the state finance committees and be in accord with the department's technology plan approved by the Office of Technology.

ITEM DESCRIPTION AND PURPOSE:

The Individual Income Tax System which serves 3 million taxpayers and generates over \$5 billion in annual receipts is built upon processes and systems that are nearly 30 years old. To respond to the needs of our clientele and to address the risk of catastrophic system failure, it is critical that we redesign all tax system business processes as well as replace obsolete computer hardware and software.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	1,500	0	1,500	0	0	0
Personnel	0	0	0	0	0	0
Services	4,500	0	4,500	0	0	0
Software	1,900	0	1,900	0	0	0
Supplies	0	0	0	0	0	0
Training	100	0	100	0	0	0
Total	8,000	0	8,000	0	0	0

F.Y. 2000-2001 Information Technology New Funding

AGENCY: REVENUE DEPARTMENT
IT Change Item: Income Tax Reengineering
(Continuation)

RATIONALE:

The business processes and computer systems that form the heart of this tax system are simply obsolete. All of our processes and workflows--and more importantly, our contacts with taxpayers--depend on 1960s technologies and paper-based processes. Our strategic information systems plans identified the individual income tax system as the most critical and problematic system we use. These processes and systems perform poorly for taxpayers and policymakers, and outcomes must be dramatically improved.

The following business outcomes have been identified as working targets for the design phase:

Evaluate all filers and non-filers to identify the most appropriate and effective compliance activities. (Little or no capability currently.)

Provide feedback to those taxpayers who require it before their next filing. (Current cycle time is 2 or more filings.)

An option to eliminate at least one state or federal return will be available to 50% of taxpayers by Tax Year 2002. (No current capability.)

Employer withholding and taxpayer estimated payment information will be reconciled to the income tax return during processing. (No current capability.)

Seventy percent of returns will be electronically filed by Tax Year 2002. (Currently electronic filing volume is 17% of returns.)

Ninety eight percent of tax receipts will be deposited and funded within 24 hours of receipt. (Currently overall agency performance is 85% within 2 business days.)

All return information will be available within 14 days of receipt. (Current cycle time is up to 70 days.)

Operate the new income tax processes within current cost levels, once implemented.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X	X	X		
Operations		X	X	X	X	X
Modification					X	X
Retirement						

Income Tax Reengineering is a total redesign of all tax system business processes as well as replacement of computer hardware and software. The other option would be to follow a strategy of legacy migration--merely updating computer hardware and modernizing old programs. We rejected legacy migration because it adds little new value or functionality to our current processes; it just updates the technology. The best course of action is to streamline and improve the performance of the entire tax system by a total redesign of the critical processes and supporting technologies.

We know it is not enough to fix the current problems or to speed up old practices. Instead, we want to use new technology both to improve performance immediately and to help meet future needs. We are following the business process redesign model used in our successful sales tax reengineering effort in 1992-94. The knowledge gained from that experience will be invaluable in this project.

The project will be accomplished in 3 phases:

Phase I - Assessment: explores the needs of our customers and the agency's current performance in meeting them; reviews best practices in comparable public and private enterprises; and identifies the specific cost, capability and performance targets for the new work processes and supporting systems. This step is largely complete, and builds on the comprehensive systems plans completed last year.

Phase II - Design: will identify the new business processes needed for a successful tax system. After designing new business processes, we will choose the supporting technologies that will yield the best mix of overall system performance, flexibility, scalability and cost management. This phase will be fully underway in the last half of F.Y. 1999.

Phase III - Implementation: will proceed in separate steps, called releases, that will provide immediate improvements in various parts of the system. This also provides risk management and cost control.

1
AGENCY: REVENUE DEPARTMENT
IT Change Item: Income Tax Reengineering
(Continuation)

F.Y. 2000-2001 Information Technology New Funding

OFFICE OF TECHNOLOGY ANALYSIS:

Agency has extensive experience in managing information resources as assets. Executive leadership is involved with technology decisions; policies and standards have been established and a highly capable staff has been assembled. The agency has many antiquated legacy systems in need of replacement.

OT Master Plan: Goal 2-Efficient and effective government, Goal 3-Easy and affordable access. This project would totally re-design all individual income tax system processes and replace hardware and software. Existing system is in danger of failure due to obsolete technology. Recommendation: Proceed with mission critical project which is imperative for collecting the state's revenues. OT supports this project. *** Statewide critical project-must be funded.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding a biennial appropriation of \$8 million for the biennium for the income tax reengineering initiative with carry forward authority from F.Y. 2000 to F.Y. 2001.

The Governor also recommends that the department be authorized to carry forward unexpended General Fund dollars at the end of each biennium under the terms outlined above.

2000-01 Biennial Budget

BUDGET ACTIVITY: Business, Excise and Consumption Tax System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

ACTIVITY PROFILE:

The Business, Excise, and Consumption Tax system administers the state sales and use tax, petroleum tax, cigarette tax, tobacco tax, alcohol tax, MinnesotaCare tax, insurance premium tax, lawful gambling taxes, and hazardous waste taxes and fees.

Customers include 222,000 businesses that are responsible for collecting and remitting sales and use tax, 8,000 hospitals, health-care providers and wholesalers of prescription drugs, 70 cigarette and 200 tobacco distributors, 35 wine and 6 liquor distributors and 120 brewers and importers of beer, 10,000 payers of hazardous waste fees, 1,500 lawful gambling organizations and 15 distributors of pulltabs and tipboards, 1,700 insurance companies, and 1,000 distributors of petroleum products. It also collects and distributes local sales and use taxes on behalf of 7 cities and 1 county.

STRATEGIES AND PERFORMANCE:

The Business, Excise, and Consumption Tax system employs the compliance cycle activities of policy, education, service, feedback, and enforcement to achieve tax compliance and taxpayer satisfaction outcomes. These activities have produced the following results:

Tax compliance: The total estimated compliance gap for taxpayers who are currently filing and paying sales and use taxes is \$281 million in F.Y. 1997. The compliance gap for taxpayers not registered with the department is unknown. Measures of sales and use tax compliance by industry and firm size based on audit results indicate varying levels of tax compliance:

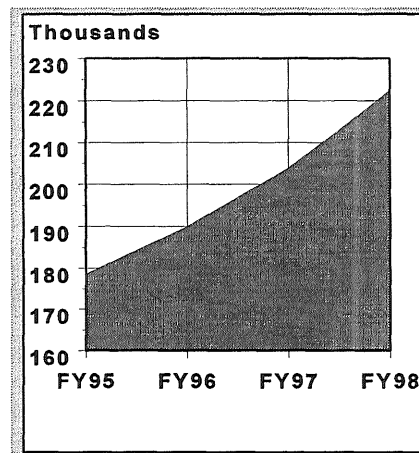
The percentage of tax dollars reported correctly in sample populations.

	FY	Sales		Use	
		Large*	Small	Large	Small
Banking	1993	99%	94%	79%	16%
Dentists	1996	96%	92%	30%	35%
Medical Doctors	1996	98%	76%	63%	13%
Other Health	1996	92%	88%	2%	5%
Accountants	1997	100%	84%	91%	17%
Cable TV	1997	99%	99%	85%	16%

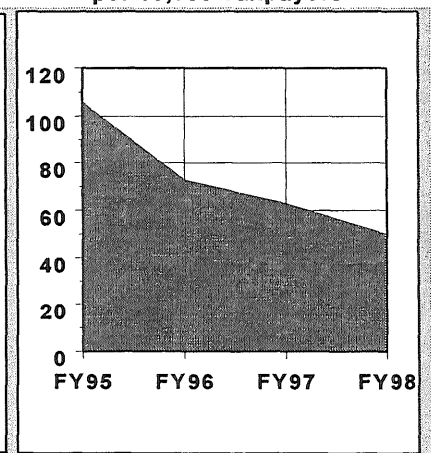
*Large/small categories determined by the amount of Minnesota withholding tax remitted annually.
 Size break varies by industry.

To improve less-than-adequate levels of service to taxpayers, this activity has had to shift employees from auditing activities to taxpayer services. In addition, vacant auditing positions have been left unfilled so that funds for the positions could be used to pay other costs--the development and maintenance of computer systems and the rising cost of salaries, equipment, supplies and travel. This, coupled with rapid growth in the number of taxpayers, has resulted in declining rates of traditional audits.

Registered Businesses



Field Audits per 10,000 Taxpayers



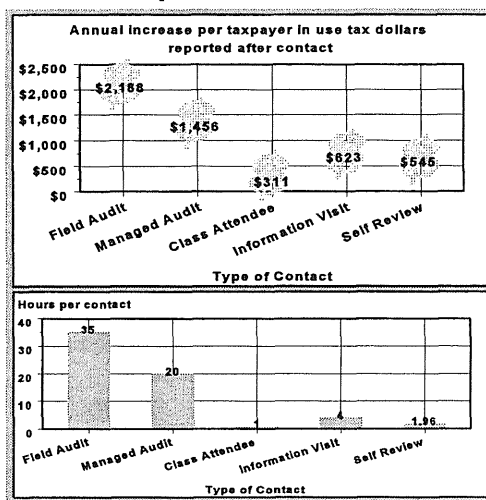
2000-01 Biennial Budget

BUDGET ACTIVITY: Business, Excise and Consumption Tax System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

To compensate for the shifting of employees away from traditional audit activities to other activities, this activity is employing other techniques to improve compliance with the tax laws. These include:

- managed audits--an examination of business records conducted by the taxpayer using guidelines developed by the Department of Revenue
- partial audits--auditing only records of those types of transactions where non-compliance has been common
- coordinating with other states to conduct a single audit of businesses doing business both in Minnesota and in other states, and developing better methods for exchange of information among states
- targeting audits and information efforts at types of businesses that have a history of non-compliance
- expanding information and education programs to make taxpayers aware of their responsibility for paying taxes

Future Impact of Compliance Contacts



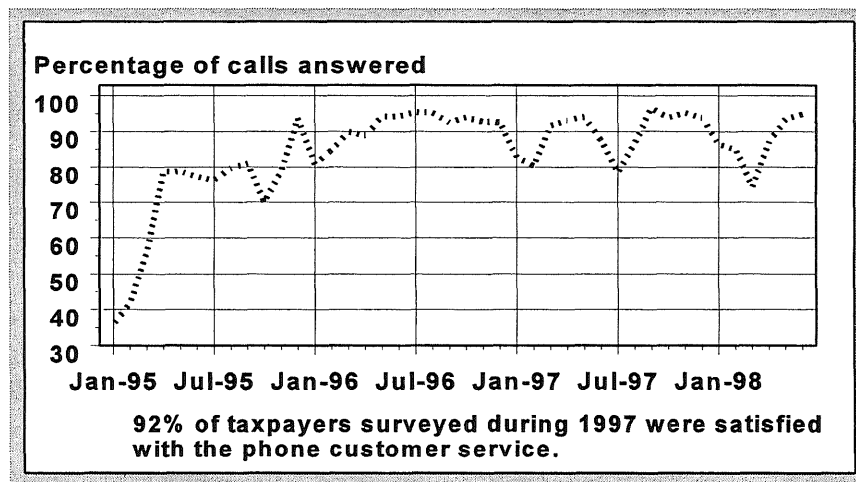
While these efforts by themselves are not as effective as traditional audits in bringing in revenue, they focus limited resources among taxpayers who are making an effort to comply with our tax laws. However, these efforts do not permit inroads into improving typically low levels of compliance with the tax laws by:

- businesses that typically deal in cash transactions;
- Minnesota businesses that buy supplies and equipment out-of-state;
- out-of-state businesses that fail to collect and remit Minnesota sales and excise taxes;
- businesses that adopt a strategy of not paying taxes until their non-compliance is discovered by the department; and
- businesses that choose to evade the tax laws.

In 1997, 77% of taxpayers surveyed reported that in their opinion auditing is the most effective method for ensuring compliance with the tax laws.

Taxpayer satisfaction: To improve and then maintain customer satisfaction levels, DOR has devoted increasing resources to activities such as telephone service:

Sales Tax Telephone Service Level

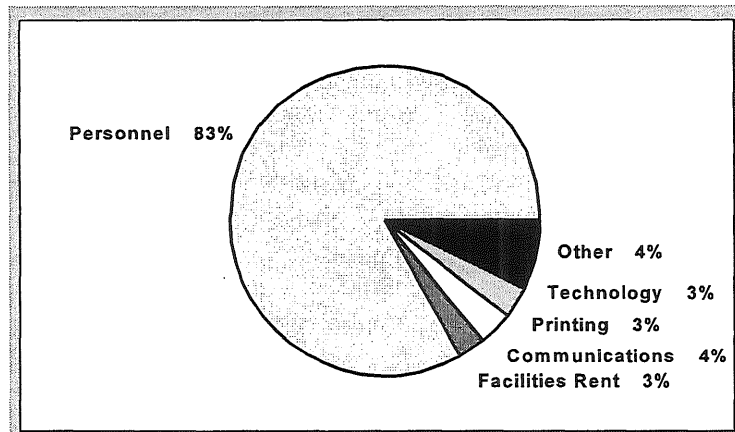


2000-01 Biennial Budget

BUDGET ACTIVITY: Business, Excise and Consumption Tax System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

FINANCING INFORMATION:

Business, Excise & Consumption Tax 1998-99 Expenditures by Category Total \$30.30 million



Business, Excise and Consumption Tax System Revenues (Dollars in thousands)

	FY97	FY98
Motor Vehicle Rental Tax	\$ 8,907	\$ 9,900
Alcoholic Beverage Tax	56,399	57,410
Cigarette Tax	180,571	180,342
Tobacco Products Tax	13,278	13,798
Controlled Substances Tax	112	106
Mortgage Registry/Deed	94,761	120,207
Lawful Gambling	62,322	62,206
Sports Bookings	3	5
Ins. Prem. Tax/Fire/REA	156,415	151,585
Hazardous Waste Gen. Tax	1,569	1,698
Metro Solid Waste Landfill	2,154	2,347
Solid Waste Assessments	21,390	15,237
MinnesotaCare	149,334	138,126
Health Care Surcharges	124,818	121,143
Total	\$872,033	\$874,110

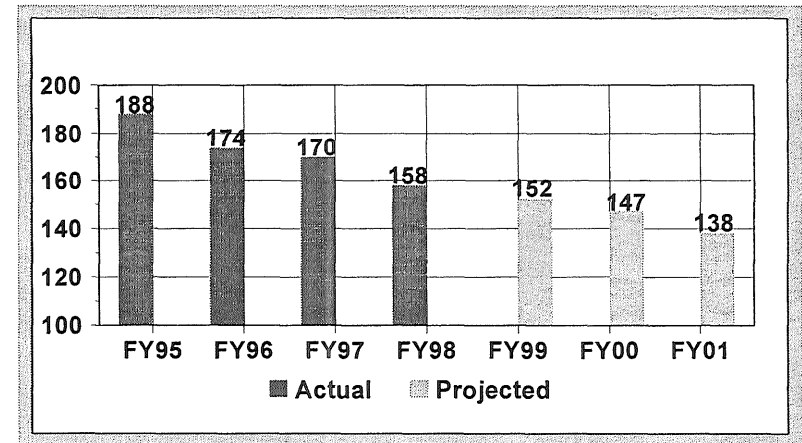
BUDGET ISSUES:

The major budget issue facing the Business, Excise, and Consumption Tax activity is the continuing decline in staff resources available to address the most difficult tax compliance problems. This is due to a combination of factors:

- Overall DOR resources are increasingly diverted to maintain essential information systems and tax operations activities, leaving reduced real resources after contractual salary increases and other cost pressures are absorbed; and
- Resources within the activity have been redeployed to ensure service outcomes and compliance needs are met for taxpayers who are trying to comply with the tax laws.

The result is fewer staff available overall, and fewer hours devoted to audit activities in particular:

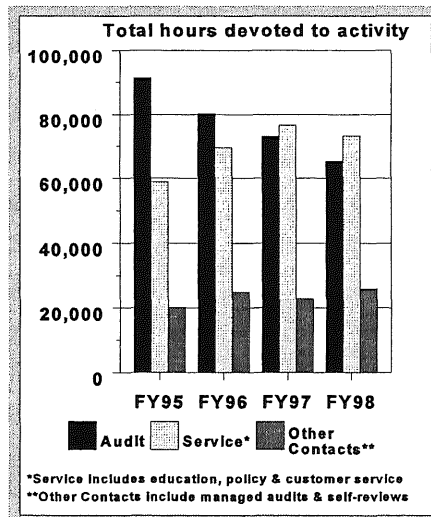
Sales & Use Tax Division Staff Positions



2000-01 Biennial Budget

BUDGET ACTIVITY: Business, Excise and Consumption Tax System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

Sales & Use Tax Ensure Compliance Hours



Simultaneously, economic and technological developments have resulted in increasing the complexity of audits and, accordingly, the work burden of the activity. These developments have included:

- Accounting firms have become aggressive in soliciting clients by offering to challenge state tax laws and interpretations. This has resulted in a more lengthy and thus more costly audit process, and in more time responding to appeals of interpretations of the laws.
- Increased use of computers and electronic business processes has meant that more businesses are changing the way they maintain financial records and pay taxes. As a result, DOR needs to train employees to understand and access various computer systems to ensure the accuracy of the systems as well as the transactions recorded on them.
- As businesses convert to electronic financial systems, less documentation is maintained. With less documentation for auditors to review, it is more difficult for them to determine the accuracy of transactions. Increasing numbers of business consolidations have also resulted in the merging of computer systems, making audits more difficult. Taxpayers may also experience Year 2000 computer problems, making it difficult or impossible for them to accurately and promptly pay taxes and file returns by computer.
- There are increasing numbers of transactions across state and national borders. As more sales are made through mail order catalogues, telephone and the Internet, it is difficult and more expensive to identify them and determine who is responsible for paying the taxes.
- Unprecedented growth in the state's economy has increased the number of businesses from 178,000 in 1995 to 222,000 in 1998, an increase of 25% in 3 years. This growth requires DOR to extend the services it provides to more customers as well as respond to more customer demands. This expansion has also spawned a growing number of applications for refund of sales tax on purchases of capital equipment. Applications must be studied individually, and audit reports issued to taxpayers when refund amounts are reduced or rejected.
- The increasing cost of cigarettes and tobacco products, including the tax, has made it more desirable for individuals and businesses to acquire them from unauthorized sources, thus reducing tax revenue from cigarette and tobacco sales. This tax evasion may be creating a climate among buyers and sellers of untaxed cigarettes and tobacco products to extend tax avoidance to other types of taxes.
- Cigarette tax stamps are evidence of tax payment, and they identify the distributor that applied the stamp to the package. They are a vital compliance tool. However, their increasing cost, ultimately borne by licensed cigarette distributors, has become a budgetary drain. The department proposes that a revolving cigarette tax stamp fund be established to purchase cigarette tax stamps.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT
Program: MINN TAX SYSTEM MANAGEMENT
Activity: BUSINESS EXCISE & COMSUMPTION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	11,976	12,259	12,592	12,579	12,579	12,646	12,646	374	1.5%
OPERATING EXPENSES	2,962	2,325	3,128	2,724	2,764	2,727	2,727	38	.7%
SUBTOTAL STATE OPERATIONS	14,938	14,584	15,720	15,303	15,343	15,373	15,373	412	1.4%
Total Expenditures	14,938	14,584	15,720	15,303	15,343	15,373	15,373	412	1.4%
<u>CHANGE ITEMS:</u>									
(B) CIGARETTE TAX STAMP REVOLVING ACCT	GEN							(40)	
(B) CIGARETTE TAX STAMP REVOLVING ACCT	SR				40		40		
Total Change Items					40		0		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	11,459	10,948	11,260	11,232	11,232	11,232	11,192		
HEALTH CARE ACCESS	1,086	1,120	1,529	1,356	1,356	1,379	1,379		
HIGHWAY USERS TAX DISTRIBUTION	1,837	1,860	2,194	2,073	2,073	2,117	2,117		
ENVIRONMENTAL	102	96	98	101	101	104	104		
SOLID WASTE	49	174	238	182	182	182	182		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	352	317	380	359	399	359	399		
FEDERAL	53	69	21	0	0	0	0		
Total Financing	14,938	14,584	15,720	15,303	15,343	15,373	15,373		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	0	0	0	0	40	0	40		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT

Program: MINN TAX SYSTEM MANAGEMENT

Activity: BUSINESS EXCISE & CONSUMPTION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
Total Revenues Collected	0	0	0	0	40	0	40
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	224.6	217.9	217.9	212.7	212.7	205.4	205.4
PART-TIME, SEASONAL, LABOR SER	11.1	7.6	7.6	7.6	7.6	7.6	7.6
Total Full-Time Equivalent	235.7	225.5	225.5	220.3	220.3	213.0	213.0

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Business, Excise and Consumption Tax System

ITEM TITLE: Cigarette Tax Stamp Revolving Account

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$(40)	\$(40)	\$(40)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No ____

If yes, statutes(s) affected:

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends creation of a revolving account to fund the acquisition of tax stamps applied to packages of cigarettes.

RATIONALE:

Pursuant to law, M.S. 297F.08, subds. 4 and 5, the Commissioner of Revenue must adopt a design for cigarette tax stamps, purchase them and charge distributors for their tax value and printing and shipping costs. The department purchases the stamps from its General Fund base and deposits the proceeds from resales to the General Fund. Cigarette distributors pay the tax and acquisition and shipping costs directly although ultimately smokers bear them. State government's net cost is zero.

Going to a revolving fund will afford us greater stability in fiscal planning, since fluctuations in demand and changes in manufacturer prices will not affect the agency's budget. As under the existing system, it will be the industry and, finally, its customers that bear the cost.

Under this method, the state of Minnesota bears no cost for the stamps. However, the current purchase and reimbursement method magnifies the effects of inflation for the Department of Revenue. By law we must purchase the stamps. The stamps must be heat-applied (see M.S. 297F.08, subds. 2 and 9). Currently, only one manufacturer can meet our bid specifications. We recently rebid our contract, and the result was a one-third price increase.

Over the last 10 years, our General Fund budget has shrunk in both real and nominal dollars. The quantity of stamps that we purchase has remained virtually constant. The cigarette stamp costs exacerbate the effects of other cost increases and flat budgets because we must reserve for the stamps before making any other spending decisions. As those other costs rise and our General Fund budget does not, stamp acquisition and shipping costs increasingly impinge on our ability to deploy resources in a manner responsive to our business needs.

FINANCING:

In F.Y. 2000, the department will transfer \$40,000 from its General Fund appropriation to the cigarette tax stamp revolving account to initiate cigarette stamp purchases. In future years, the fund will be self-sustaining.

OUTCOMES:

Revenue neutral change in funding mechanism.

2000-01 Biennial Budget

BUDGET ACTIVITY: Property Tax and State Aid System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

PROGRAM PROFILE:

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.

The property tax and state aid system serves 3,400 local units of government and 2.2 million property taxpayers each year. The activity also contains the Board of Assessors which is responsible for the education and licensure of over 1,100 county and local assessors. All of the activities of the Property Tax and State Aid System, with the exception of information requests from the general public, are required by statute and each activity has a specified statutory deadline.

In the **local property tax** area, the activity:

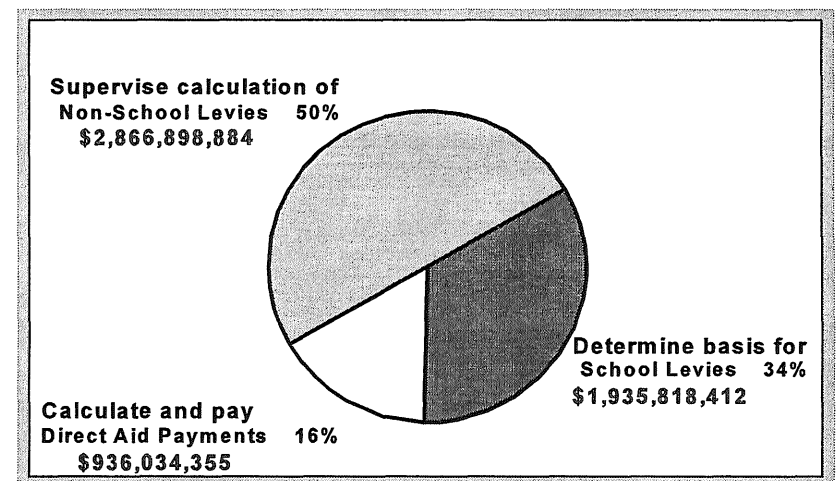
- assists and oversees county and city assessors in the complete and accurate identification of taxable property, its proper classification and valuation, and equalization of assessments among taxing districts;
- provides information to individual taxpayers and local government officials about the property tax process;
- conducts annual assessment-sales ratio studies to measure assessment levels, ensure their uniformity, and determine the basis for state aid payments to school districts;
- provides support to the State Board of Assessors, which is responsible for assessor education and licensure;
- staffs the State Board of Equalization, which is 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.

In administering **state aids to local governments**, the activity:

- collects and maintains assessment and levy information from all local taxing authorities each year;
- determines state aid payments for each county, city, town, and special taxing district under a variety of statutory formulas, including Homestead and Agricultural Credit Aid (HACA), Local Government Aid (LGA), Disparity Reduction Aid (DRA), and many other smaller programs;
- makes aid payments by statutory deadlines 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 levy limitations for all counties, for all cities with a population over 2,500 and for the 7 county areawide special taxing districts; 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, unmined taconite, auxiliary mining lands for taconite operations, natural iron ore, and severed mineral interests.

Revenue's Role in the State Property Tax System - C.Y. 1998



2000-01 Biennial Budget

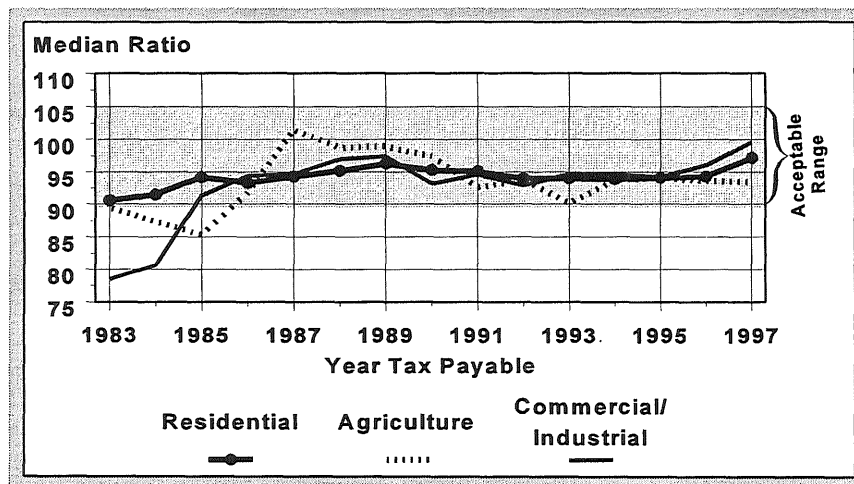
BUDGET ACTIVITY: Property Tax and State Aid System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

STRATEGIES AND PERFORMANCE:

The program has 5 primary goals.

- **Equalization of property values throughout the state** to ensure that property taxpayers pay only their fair share--no more and no less. The law gives the Commissioner of Revenue, acting as the State Board of Equalization, the authority to issue orders increasing or decreasing market values in order to bring about equalization. The long-term goal is to bring assessors' performance up to a level where it is unnecessary for the State Board of Equalization to issue any orders. Assessment-to-sales ratios are determined and are used to equalize school district net tax capacity values. These values are certified to the Department of Education, Children & Families, which uses them to determine school district property tax levy limitations. In 1997 the State Board of Equalization issued orders changing values in 45 counties.

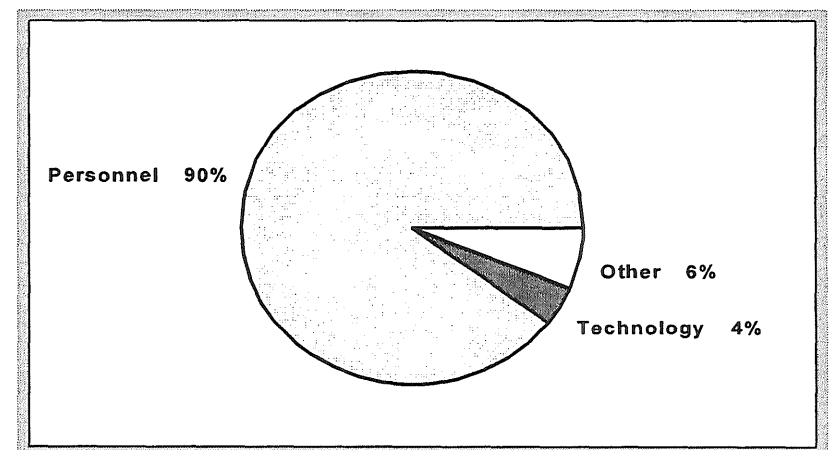
Equalization Results



- **Uniformity of administration among the counties** to ensure that each taxpayer will be treated in the same manner regardless of where he or she lives. The Property Tax and State Aid System has approximately 10,000 telephone contacts each year answering questions involving taxpayers' and property tax administrators' questions.
- **Accurate, timely aid calculations, certifications and payments** to ensure that local units of government get the timely receipt of revenue essential to providing services to the public. Aid determinations are made for affected governmental units following statutory formulas.
- **Provision of education and information**, including technical manuals and other instructions to give county officials the support and training necessary to administer the property tax laws equitably and uniformly. Annually DOR issues approximately 100 directives, bulletins or instructional letters to property tax administrators, and revises the Property Tax Administrator's Manual. It also issues a Property Tax Law Summary following the legislative session so that property tax administrators can easily find law changes that apply to specific subjects.
- **Application of the "achieving tax compliance cycle" to the mineral taxes** that the program administers to ensure that no payer of minerals tax is paying any more or any less than is required by law.

FINANCING INFORMATION:

Property Tax 1998-99 Expenditures by Category Total \$5.59 million



2000-01 Biennial Budget

BUDGET ACTIVITY: Property Tax and State Aid System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

Property Tax and State Aid
 System Revenues
 (Dollars in thousands)

	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>
Occupation Tax (Minerals)	\$2,370	\$3,197
Airflight Property Tax	<u>8,532</u>	<u>8,286</u>
Total	\$10,902	\$11,483

Aids and Credits Paid to Local Governmental Units

	FY97	FY98
HACA	\$430,187,100	\$440,208,500
Local Government Aid	349,171,800	359,991,200
Local Performance Aid	0	9,292,800
County Criminal Justice Aid	20,009,700	27,488,500
Disparity Reduction Aid	15,736,500	15,628,400
Family Preservation Aid	1,546,800	1,598,100
Police, Fire & Insurance Aid	62,461,900	63,152,200
Misc. Aids & Credits	9,263,600	17,790,900
Total	\$888,377,400	\$935,150,600

BUDGET ISSUES:

The most important budget issue facing the Property Tax and State Aid System is ensuring adequate staff and data resources to maintain the accuracy and integrity of the state's assessment/sales ratio study and to meet statutory deadlines for the computation and payment of state aids to local governments.

Maintaining the integrity of the sales ratio study has direct financial consequences for the state General Fund as well as for equity among taxpayers in various parts of the state. Appeals of a single data item used to determine a school district's

aggregate sales ratio--the basis for state aid payments to the affected school districts under statutory formulas--resulted in additional, unplanned state expenditures of \$1.8 million in 1995. A similar case in 1989 (in Minneapolis) cost the state \$13.2 million. Another appeal of one sale by a suburban school district in 1994--though ultimately denied by the court--would have cost \$3 million had it been sustained. Although sales ratio studies--both by their statistical nature and by the amount of money that can ride on their outcome--are always subject to interpretation and debate, maintaining sufficient resources so that appeals can be settled before school aids are initially allocated would significantly reduce the state's ultimate financial exposure.

Meeting statutory deadlines for state property tax aid payments also has important financial implications for local governments. Local governments rely on state aid payments (primarily HACA and LGA) to provide approximately 12% of their total budget--up to 70% or higher for some cities.

Less immediately apparent, but extremely important, is the need to devote resources to improving the staff and technical infrastructure supporting the quality of local property tax administration. Despite recent attempts at reform, Minnesota's property tax system remains the most complicated in the nation. 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 and is a persistent source of public dissatisfaction. Correcting this problem will require increased resources for education and development of local staff capabilities and improvements to data transmission and processing systems to overcome technical limitations and improve performance.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT

Program: MINN TAX SYSTEM MANAGEMENT

Activity: PROPERTY TAX & STATE AIDS SYS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,433	2,456	2,520	2,525	2,525	2,525	2,525	74	1.5%
OPERATING EXPENSES	357	299	310	274	274	274	274	(61)	-10.0%
SUBTOTAL STATE OPERATIONS	2,790	2,755	2,830	2,799	2,799	2,799	2,799	13	.2%
Total Expenditures	2,790	2,755	2,830	2,799	2,799	2,799	2,799	13	.2%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2,781	2,732	2,800	2,799	2,799	2,799	2,799		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	9	23	30	0	0	0	0		
Total Financing	2,790	2,755	2,830	2,799	2,799	2,799	2,799		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	47.2	45.3	45.0	43.0	43.0	41.8	41.8		
PART-TIME, SEASONAL, LABOR SER	2.3	2.1	2.4	2.4	2.4	2.4	2.4		
Total Full-Time Equivalent	49.5	47.4	47.4	45.4	45.4	44.2	44.2		

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2000-01 Biennial Budget

BUDGET ACTIVITY: Tax Operations
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

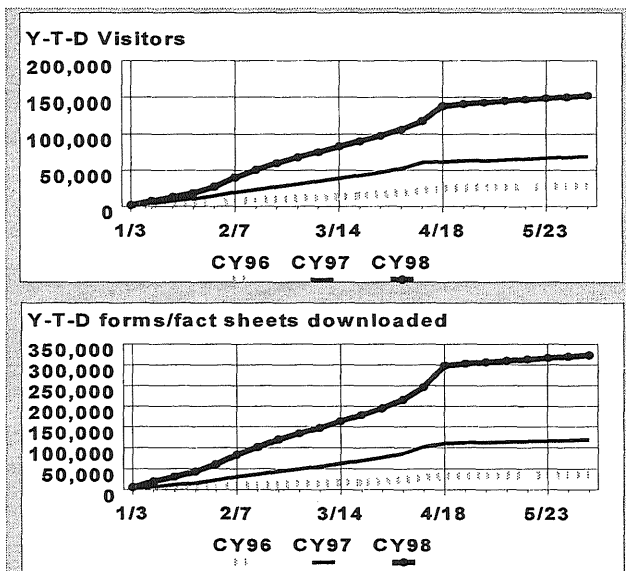
ACTIVITY PROFILE:

Tax Operation functions lay the foundation for the activities of 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 mass communication
- develops and manages the department's world wide web services to taxpayers

Web Site Usage



Forms distribution and mail receiving:

- mails tax forms to taxpayers and processes other outgoing mail
- receives and sorts 5.8 million pieces of incoming mail annually

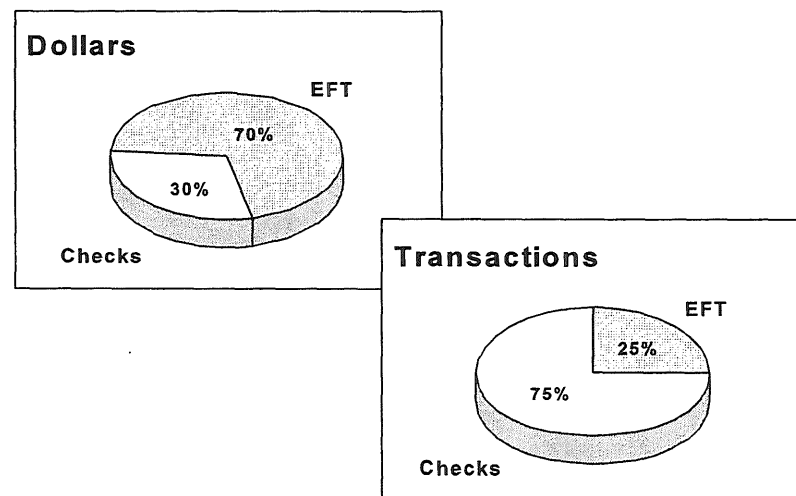
Taxpayer registration:

- annually registers 38,000 new businesses and makes 75,000 changes to business information
- manages registration of 3.4 million individual taxpayers with 296,000 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
- deposits and accounts for \$11.4 billion in receipts
- issues 2.4 million individual income and property tax refunds totaling \$1.056 billion
- processes and distributes \$65.7 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 82,500 refunds

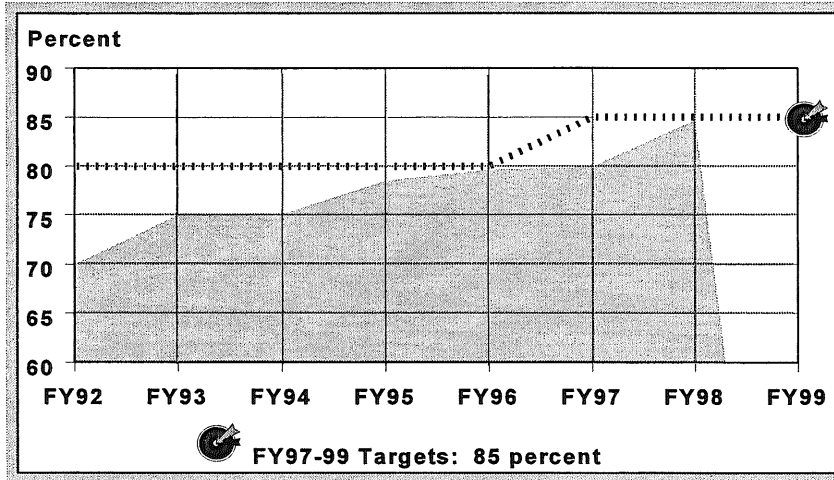
F.Y. 1998 Remittance Processing



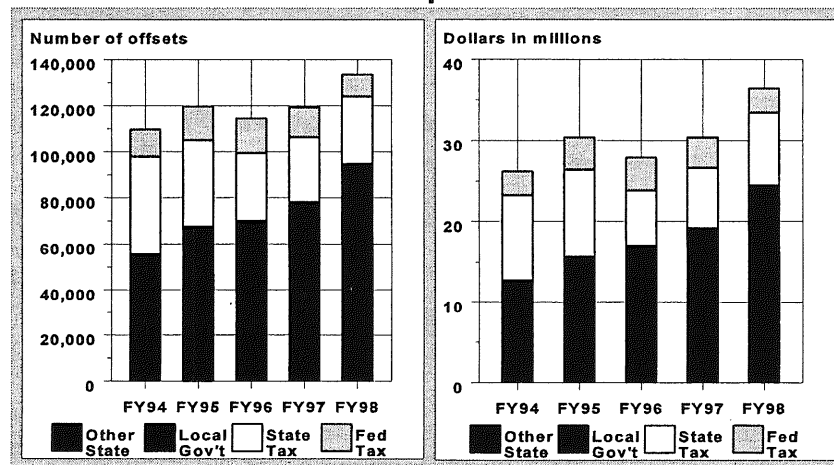
2000-01 Biennial Budget

BUDGET ACTIVITY: Tax Operations
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

Dollars Deposited Within 1 Day



Revenue Recapture Offsets



Collections:

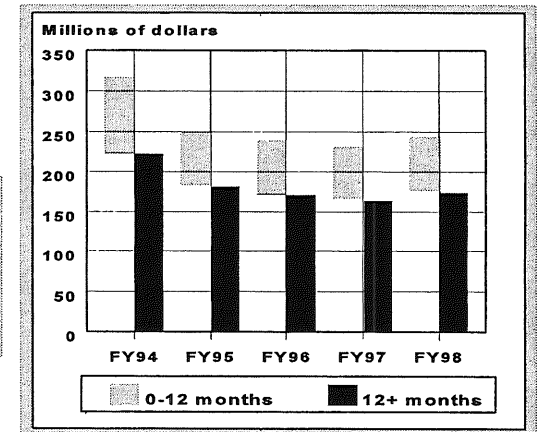
- identifies and collects from known taxpayers who failed to file returns collecting \$7 million in F.Y. 1998
- identifies, verifies and collects unpaid individual and business taxes collecting \$108 million in F.Y. 1998

Delinquent Taxes

	0-12 mo	12+ mo
FY94	\$92	\$224
FY95	65	184
FY96	65	173
FY97	64	167
FY98	66	177



Goal:
 Reduce A/R to \$200 million



Information systems management:

- manages computing systems for administering the tax system including more than 1,300 workstations
- maintains a tax system portfolio of more than 130 computer applications on 15 different platforms
- information technology costs absorb 22% of the Tax Operation activity's budget

STRATEGIES AND PERFORMANCE

Tax Operations employs a wide variety of work processes and technologies to achieve operational excellence and to support tax compliance and taxpayer satisfaction outcomes in the tax systems.

Operational excellence. Taxpayers expect an ever-increasing capability to interact electronically, for example, access to information we publish, interactive taxpayer service, and filing and payments. 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

2000-01 Biennial Budget

BUDGET ACTIVITY: Tax Operations
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
 (Continuation)

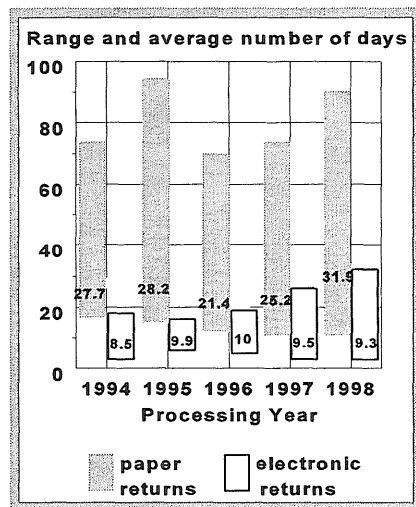
processing paper documents, we are continually exploring new ways to reduce reliance on paper. As a result, we have developed ways to utilize electronic methods in many of our work processes. These electronic processes not only reduce our reliance on paper but also result in greater operating efficiency and higher service levels to taxpayers.

Days to process individual income tax refund returns

Refund returns received on or before April 15		
	paper	electronic
1994	1,162,899	95,973
1995	1,040,163	111,893
1996	1,064,600	131,259
1997	1,054,600	140,281
1998	1,120,695	348,295



Processing Goal: 30 days

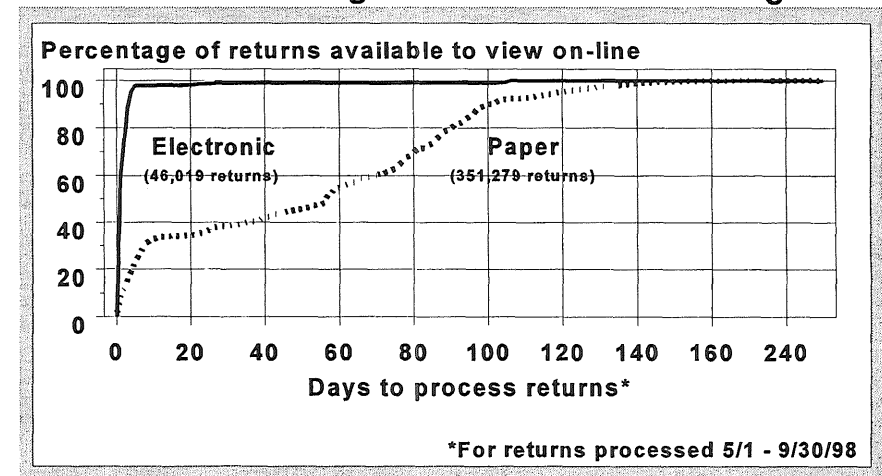


Within our current resources, we are developing, testing, or expanding our use of electronic processes including electronic filing of returns, filing returns by touch-tone telephone, use of the Internet, optically scanning returns, computer-to-computer filing and paying, and electronic funds transfer (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. Incremental changes toward increased electronic services advance the

department's long range strategy to improve taxpayer access to a majority of Revenue's services.

Another significant budget issue is the degradation of paper processing cycle times affecting all tax types. In order to effectively communicate with taxpayers about the status of their accounts, we must process returns and payments more rapidly. We can then positively influence compliance by making sure that taxpayers have the information that they need to file and pay correctly.

Withholding Tax Return Processing



Related to the issue of slow processing times, the appropriate solution is implementing more electronic filing and paying. Recent law changes required electronic filing for payroll providers; improvements in cycle times have been significant.

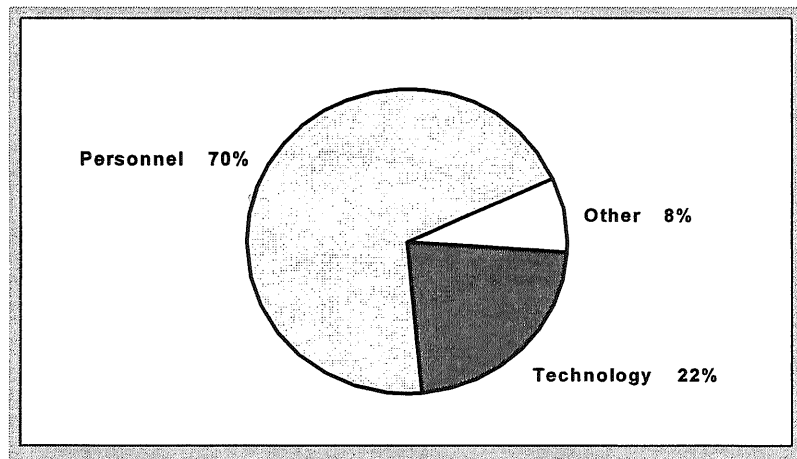
While we recognize the benefits of increased electronic communications with our taxpayers (more readily available data, more accurate information, and the acknowledged receipt of that information), we also must acknowledge the issue of the costs to convert DOR and the taxpayers to electronic communications. Efforts in this area will be great drains on DOR resources throughout the transitions of the next few years.

2000-01 Biennial Budget

BUDGET ACTIVITY: Tax Operations
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
(Continuation)

FINANCING INFORMATION:

**Tax Operations
1998-99 Expenditures by Category
Total \$69.95 million**



BUDGET ISSUES:

Because the department relies heavily on advanced technology, with significant consequences for failure, sophisticated management of both the system processes and technology is imperative.

Obsolete income tax system. The individual income tax system 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 able to devote only limited resources to upgrading and/or replacing these systems. The old systems require a high level of support, are expensive to operate, and are prone to errors and disruption of service.

Information Systems labor costs. Labor costs for state and contract IS staff are projected to increase by 10% and 13% annually over the F.Y. 2000-01 biennium. This absorbs the bulk of overall compensation inflation for the entire agency and results in fewer staff resources for other elements of tax operations as well.

Maintaining technical infrastructure. The magnitude of our reliance on advanced technology creates a major budget issue. The agency has approximately \$10 million worth of installed technical infrastructure: workstations, servers, network equipment, and software. The need for regular replacement of personal computers and software, and upgrading the technology infrastructure throughout the agency is a growing concern because most taxpayer data is only accessible through our electronic systems. Keeping our Greater Minnesota offices operating at peak efficiency is a special challenge. To continue our taxpayer service--more available information, more quickly, and more accurately--requires annual replacement of approximately one-third of the agency technical infrastructure.

Increasing taxpayer demand for and use of electronic transactions. Increasing numbers of taxpayers are becoming accustomed to making all financial transactions electronically. This creates demands for new forms of electronic tax administration. Even though electronic commerce is growing rapidly, many taxpayers remain 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 modern electronic system. In addition, we must develop new ways to audit the increasingly computerized accounting, filing and payment systems used by taxpayers. This requires more sophisticated tools and a higher degree of information technology expertise among our staff.

When Tax Operations fails to provide accurate and timely taxpayer data, the effectiveness of service and compliance efforts throughout the department inevitably drop. The impact of these budget issues on the tax operations program will be reflected in a reduction of nonfiler cases worked, fewer collections contacts, slower business registrations, slower response to taxpayers for copies of returns, and fewer edits to ensure accuracy of tax return data.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT

Program: MINN TAX SYSTEM MANAGEMENT

Activity: TAX OPERATIONS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	21,752	23,300	24,684	25,640	25,640	26,905	26,905	4,561	9.5%
OPERATING EXPENSES	11,504	10,847	13,093	11,141	11,141	11,141	11,141	(1,658)	-6.9%
OTHER EXPENSES	51	0	0	0	0	0	0	0	
SUBTOTAL STATE OPERATIONS	33,307	34,147	37,777	36,781	36,781	38,046	38,046	2,903	4.0%
CAPITAL OUTLAY	929	699	653	653	653	653	653	(46)	-3.4%
Total Expenditures	34,236	34,846	38,430	37,434	37,434	38,699	38,699	2,857	3.9%

<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	31,913	32,575	34,743	34,616	34,616	35,879	35,879		
HEALTH CARE ACCESS	132	156	206	193	193	195	195		
HIGHWAY USERS TAX DISTRIBUTION	0	27	54	54	54	54	54		
SOLID WASTE	0	9	18	18	18	18	18		
OPEN APPROPRIATIONS:									
GENERAL	2,017	1,428	1,900	1,900	1,900	1,900	1,900		
STATUTORY APPROPRIATIONS:									
GENERAL	0	268	583	0	0	0	0		
SPECIAL REVENUE	174	383	926	653	653	653	653		
Total Financing	34,236	34,846	38,430	37,434	37,434	38,699	38,699		

<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	419.4	424.5	420.7	405.7	405.7	391.0	391.0		
PART-TIME, SEASONAL, LABOR SER	111.4	149.4	153.4	153.4	153.4	153.4	153.4		
OVERTIME PAY	3.2	4.4	4.3	4.3	4.3	4.3	4.3		
Total Full-Time Equivalent	534.0	578.3	578.4	563.4	563.4	548.7	548.7		

2000-01 Biennial Budget

BUDGET ACTIVITY: Legal and Research
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

ACTIVITY PROFILE:

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 supports 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.

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. Administrative appeals are provided to taxpayers to ensure that tax assessments and claims for refund denials are accurate and conform to the law.

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 and provides training on tax fraud indicators.

Tax Research is involved in the development of sound tax policy through objective research, analysis, and dissemination of economic and tax information. The products include legislative and executive branch required studies, development of shared databases for use by legislative and executive agencies for revenue forecasting and analysis, and the revenue estimation of tax proposals and bills during the legislative session. Major studies include the Tax Expenditure Budget and the Tax Incidence Report to help policy makers evaluate Minnesota's tax system. The individual income tax sample provides a common platform for the Departments of Revenue and Finance and the legislature to forecast and evaluate changes to the state's largest revenue source. Tax Research also forecasts a number of revenue sources that fund a portion of state provided services.

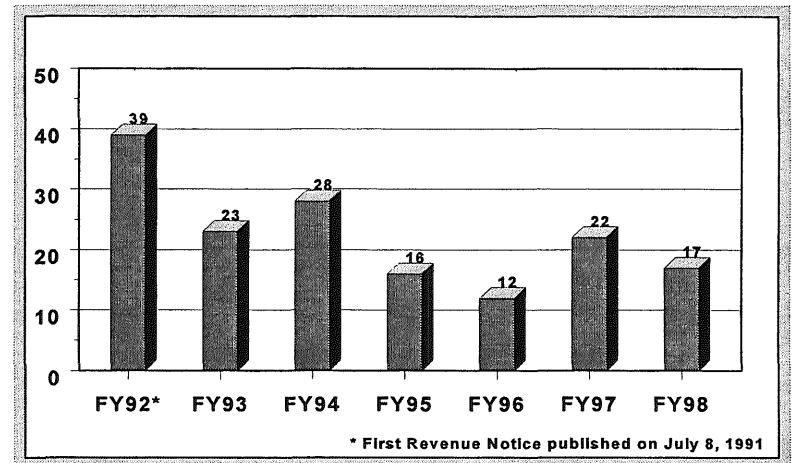
The agency's library provides detailed, up-to-date information for the Tax Research and Legal Divisions in addition to the rest of the agency and the in-house Attorney General.

STRATEGIES AND PERFORMANCE:

Tax research employs a 3-prong strategy to deal with the increased workload. The first effort is directed at utilizing technology and computer skills to deliver quality products in the tight time frames required by the legislative and executive branches. The second effort is directed at leveraging new and existing information sources, both inside and outside the department, to create products and provide insight for use in developing tax policy.

While these first 2 strategies allow us to increase our productivity and absorb more work, the third area involves items we can reduce or eliminate. The identification process is based on customer feedback and self assessment. If required, this will allow us to cope with this eventuality.

Number of published Revenue Notices



Revenue Notices are policy statements issued with the intent to guide and inform taxpayers of positions taken by the commissioner regarding interpretation or application of law or rules. It is an efficient method to inform taxpayers of various policies. When the Legal Services Units are unable to devote time to issuing Revenue Notices, because of high work demands in other areas, and reduced

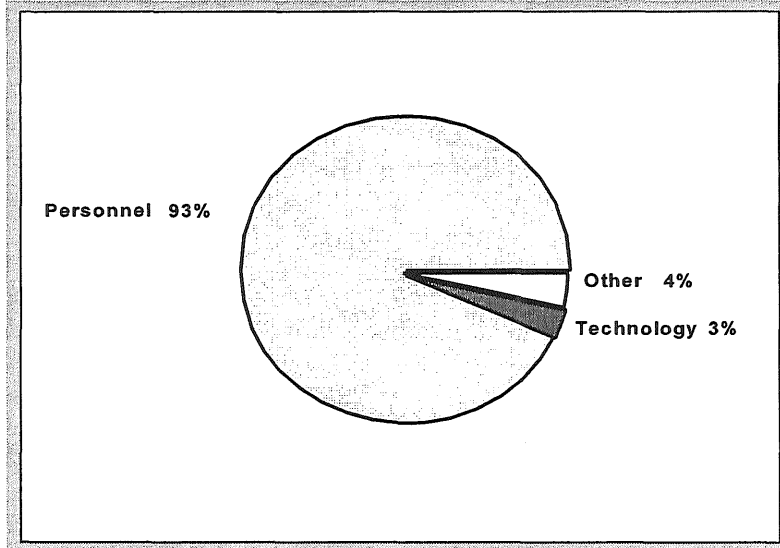
2000-01 Biennial Budget

BUDGET ACTIVITY: Legal and Research
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
(Continuation)

resources to address them, the result is that fewer taxpayers are notified of policy positions. This could result in lower tax compliance and increased opportunity for a taxpayer to unknowingly accrue a tax liability. The department is attempting to increase the number of notices issued by making law clerks available to assist in that effort, and working with and motivating the tax compliance activities to adopt positions, and develop and draft revenue notices.

FINANCING INFORMATION:

**Legal & Research
1998-99 Expenditures by Category
Total \$7.72 million**

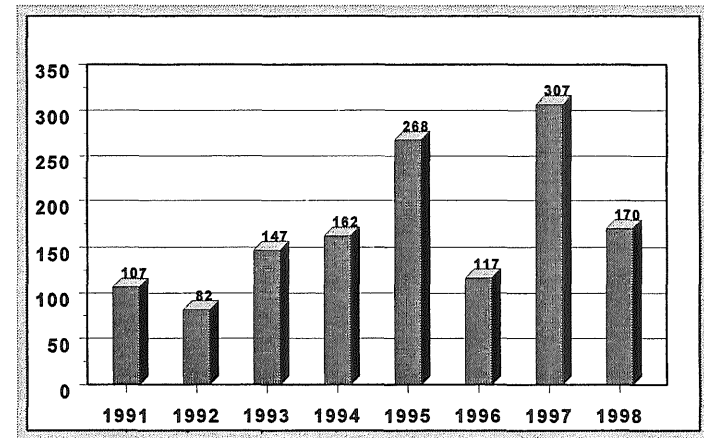


BUDGET ISSUES:

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.

Between F.Y. 1991 and F.Y. 1997, the number of published bill analyses has increased by 200%. Given the penchant of elected officials to use the state tax system to address a wide and expanding range of policy issues, further increases are anticipated. This workload increase coupled with legislatively-mandated studies and databases create the specter of reducing services to customers in areas other than legislative and executive. The provision of information to other states, other levels of government, citizens, business and universities will be curtailed.

**Number of Published Revenue
Estimates by Legislative Session**



Appeals 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 recently enacted at the federal level may increase complexity and uncertainty in the tax system. This trend is expected to continue at least through the F.Y. 2000-01 biennium. The appeals unit has also noticed the growing impact of tax protesters.

2000-01 Biennial Budget

BUDGET ACTIVITY: Legal and Research
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
(Continuation)

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.

Recent court decisions have created more uncertainty on long-standing department positions and interpretations of statutes. Instead of clarifying the law, these decisions often further complicate agency efforts.

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 translates into increased response times and in some instances may mean that some questions are unable to be answered by the department.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT
Program: MINN TAX SYSTEM MANAGEMENT
Activity: LEGAL & RESEARCH SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	3,294	3,550	3,562	3,550	3,550	3,554	3,554	(8)	-1%
OPERATING EXPENSES	502	244	362	263	263	263	263	(80)	-13.2%
SUBTOTAL STATE OPERATIONS	3,796	3,794	3,924	3,813	3,813	3,817	3,817	(88)	-1.1%
Total Expenditures	3,796	3,794	3,924	3,813	3,813	3,817	3,817	(88)	-1.1%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	3,677	3,650	3,768	3,658	3,658	3,658	3,658		
HEALTH CARE ACCESS	112	136	142	142	142	146	146		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	7	8	14	13	13	13	13		
Total Financing	3,796	3,794	3,924	3,813	3,813	3,817	3,817		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	60.5	55.2	56.0	54.0	54.0	53.5	53.5		
PART-TIME, SEASONAL, LABOR SER	4.0	3.1	2.3	2.3	2.3	2.3	2.3		
Total Full-Time Equivalent	64.5	58.3	58.3	56.3	56.3	55.8	55.8		

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2000-01 Biennial Budget

BUDGET ACTIVITY: Administrative Support
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

ACTIVITY PROFILE:

Agency support activities are consolidated in the Administrative Support activity together with monitoring of agency resources. These activities take 3 forms:

- Direct services to the department's managers and staff
- Institutional support for the agency and for the tax system management program
- Management oversight and process control in areas affecting department resources, transactions and programs

Service activities include human resource management functions (job definition, classification, testing and recruitment, personnel and payroll transactions, employee benefits and labor relations; AA/EEOC, ADA and diversity programs); employee development; procurement; and taxpayer problem resolution.

Institutional support functions include agency executive functions (central coordination of agency operations, strategic and business planning, and organizational development); facilities management for operations in Minnesota and 8 other states (lease management, facility maintenance, space planning); contract administration and evaluation processes; project management, program evaluation, and performance measurement programs at the agency and individual level; and interagency and intergovernmental coordination.

Management and control activities include budgeting, agency accounting, internal audit, business process analysis and redesign, and oversight of centrally-funded expenditures such as facilities rent, workers and unemployment compensation, refund postage, and membership dues for intergovernmental tax policy organizations. This is done by continuous application of professional and managerial oversight of performance against established standards and applicable policies.

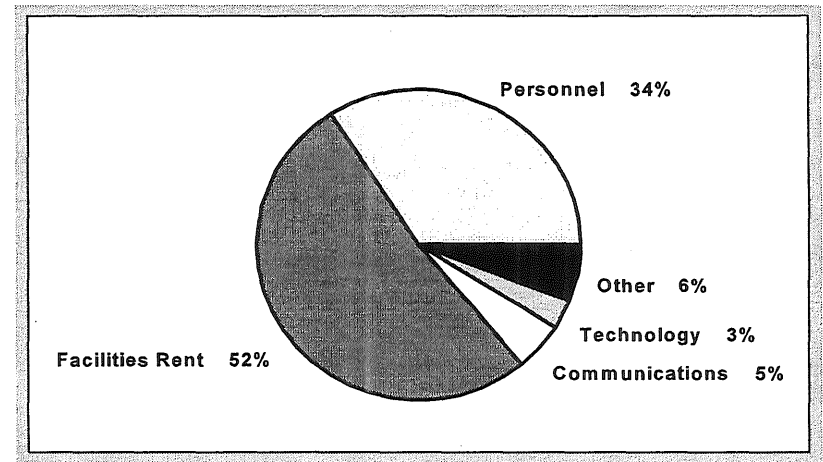
The overlap of some of these items in service, institutional support and control categories reflects the dual nature of the responsibilities of this activity: providing service, but within defined parameters and external requirements. Successful integration of these 3 functions is essential to smooth and productive operation of agency functions.

STRATEGIES AND PERFORMANCE:

The main strategy of the Administrative Support activity is to provide leadership, service, and support so the Department of Revenue can successfully achieve its mission and business outcomes while ensuring that statewide goals for use of human, financial, and other resources are achieved. To accomplish these goals, Administrative Support employs a combination of policy, education, service, feedback and enforcement within the department.

FINANCING INFORMATION:

Administrative Support 1998-99 Expenditures by Category Total \$29.15 million



BUDGET ISSUES:

A major challenge faced by this activity was managing the department's responsibilities in the design/build process of our new facility in the capitol complex, and for relocation of the department's staff, equipment and operations to this building. We anticipate some reassignment of responsibilities and reallocation of resources over the next 12 to 18 months as we refine support, customer service and security procedures in the new building. We have also committed to managing the training and conference facilities in the building to offer access to other agencies in the complex on a time-available basis. Because of the increased utilization of these rooms, we anticipate incurring one-time expenses totaling

2000-01 Biennial Budget

BUDGET ACTIVITY: Administrative Support
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
(Continuation)

\$70,000 for accelerated replacement of obsolete training and conference room equipment and expanded audio-visual capabilities for the building over the next 2 years.

The department will be occupying a newly constructed building in Ely, Minnesota housing collections and MCE staff in the fall of 1999. Operating cost impacts for F.Y. 2000-01 have not been identified at this time.

Another issue of significance is the transfer of responsibilities for recruiting and testing job applicants. This responsibility was transferred to agencies from DOER in F.Y. 1998, without resources. Our agency's seasonal income tax processing workforce is critical to timely processing of individual and property tax returns. For this purpose we routinely test and evaluate over 600 new employees each season before hiring some 350 seasonal workers. The cost of this takeover of responsibilities is \$90,000 per year.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT
Program: MINN TAX SYSTEM MANAGEMENT
Activity: ADMINISTRATIVE SUPPORT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	4,476	4,558	4,955	5,100	5,100	5,608	5,608	1,195	12.6%
OPERATING EXPENSES	7,766	9,090	12,082	9,586	10,241	9,634	10,289	(642)	-3.0%
SUBTOTAL STATE OPERATIONS	12,242	13,648	17,037	14,686	15,341	15,242	15,897	553	1.8%
CAPITAL OUTLAY	7	0	0	0	0	0	0	0	
PAYMENTS TO INDIVIDUALS	1	0	2	2	2	2	2	2	100.0%
Total Expenditures	12,250	13,648	17,039	14,688	15,343	15,244	15,899	555	1.8%

<u>CHANGE ITEMS:</u>	<u>FUND</u>			
(B) BUILDING FIREWALL	GEN			95
(B) BUILDING FURNITURE LEASE	GEN			435
(B) DIGITAL PHONE SYSTEM	GEN			125
Total Change Items				655

<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	11,889	13,584	15,183	14,503	15,158	15,059	15,714		
HEALTH CARE ACCESS	0	0	0	1	1	1	1		
HIGHWAY USERS TAX DISTRIBUTION	0	0	0	2	2	2	2		
SOLID WASTE	0	18	0	0	0	0	0		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	361	46	316	182	182	182	182		
AGENCY	0	0	1,540	0	0	0	0		
Total Financing	12,250	13,648	17,039	14,688	15,343	15,244	15,899		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT

Program: MINN TAX SYSTEM MANAGEMENT

Activity: ADMINISTRATIVE SUPPORT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	69.6	68.7	68.7	65.3	65.3	61.7	61.7
PART-TIME, SEASONAL, LABOR SER	2.9	2.9	2.9	2.9	2.9	2.9	2.9
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	72.6	71.6	71.6	68.2	68.2	64.6	64.6

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Administrative Support

ITEM TITLE: Building Related Expense

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 20001	F.Y. 2002	F.Y. 2003
Expenditures: (\$000s)				
General Fund				
- State Operations	\$655	\$655	\$655	\$655
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$1.31 million for building related expenses, including \$870,000 for furniture lease payments, \$250,000 for the digital telephone system, and \$190,000 for maintenance of the network security firewall.

DESCRIPTION:

The new Department of Revenue headquarters building involves 2 categories of expenses for which funding is requested. These are:

- Lease-purchase payments for modular furniture and demountable panels required to equip the building and allow for successful relocation of the department in the fall of 1998. The first year's payments on the 5-year lease-purchase agreement were funded in 1998-99 as part of the move budget in the 1998 session. Annual lease payments need to be appropriated for each of the subsequent 4 years to complete the purchase agreement.

- The telecommunications infrastructure for digital telephony and the Internet "firewall" security system employed in the building require an addition to our base of \$220,000 for each year. Costs for F.Y. 1999 were covered by the move budget in the 1998 session.

RATIONALE:

While funding for these items was discussed as part of the 1998 Capital Budget, partial funding of the capital appropriation requires that DOR present these items to the legislature as a change item. Neither of these items are covered by existing base funding. If the items are not funded, the department will have to meet its obligations by redirecting resources from service and compliance functions. The department does not have any practical alternatives to consider since computer security and telephone services are central to its mission.

FINANCING:

Both items are General Fund appropriations at the department level.

OUTCOMES:

Adequate funding for building related expenses.

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2000-01 Biennial Budget

PROGRAM: Accounts Receivable Management
AGENCY: Revenue, Department of (DOR)

PROGRAM PROFILE:

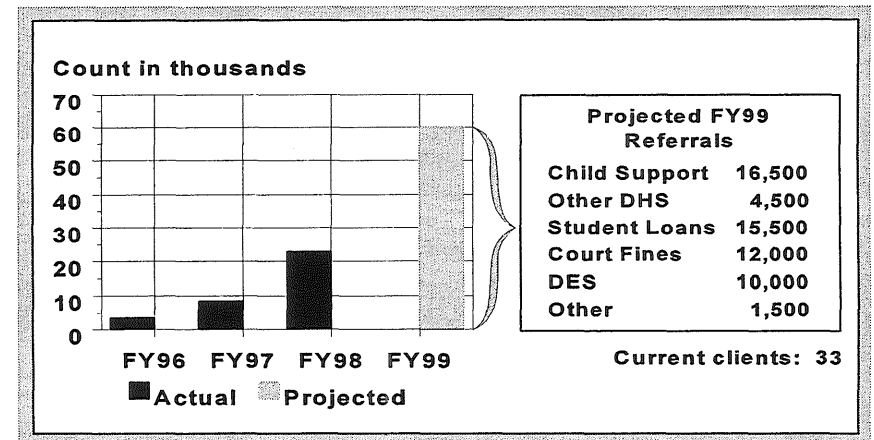
To ensure that funds owed to the state would be received in a timely manner, a state collection service--the Minnesota Collection Enterprise (MCE)--was created in July 1995. The goal of the MCE is to increase state revenues through centralized collection of identified public receivables and writing off uncollectible debts. MCE's vision is that its customers are satisfied because MCE delivers services that meet their expectations.

MCE is designed to work with debtors who have not cooperated with the referring agencies. MCE also works with debt that other agencies are not able to handle with their current resources. MCE is expected to provide collection services to public entities at a lower rate than the private sector. It recovers its cost by assessing most types of debtors a collection fee. In comparison to the private sector, MCE has the advantages of better access to information, more legal enforcement tools and the ability to price its debtor services at cost. The collection fee is evaluated annually. For F.Y. 1999 it has been set at 15% of the amount collected; plus an additional 10% if legal action such as a lien, levy or seizure has to be used to obtain payment.

MCE's collection services include locating the debtor, contacting the debtor by telephone, 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.

Currently MCE has 33 clients, including the district courts of Ramsey, St. Louis and Stearns counties. For the Department of Human Services, MCE collects child support payments, benefit overpayments and payments for treatment services. For the Department of Labor and Industry, it collects OSHA fines and payments to the special compensation fund. MCE collects income tax payments for the Department of Revenue, and restitution claims for the Department of Transportation. MCE collects consumer judgments for the Attorney General's Office, fines for the Campaign Finance and Public Disclosure Board and student loan payments for the Higher Education Services Office and Minnesota state colleges and universities. MCE also collects amounts owed to the Departments of Corrections, Natural Resources and Public Safety and the Pollution Control Agency.

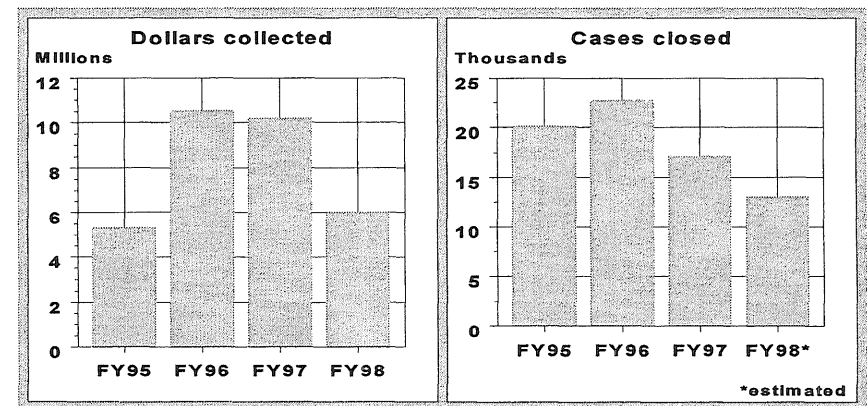
MCE Clients Non-Tax Case Referrals



STRATEGIES AND PERFORMANCE:

MCE offers low-cost collection services that state agencies and courts may choose to use. Based on the needs of each agency or court, MCE will provide all necessary collection services for established and verified debts. By performing professional collection services, MCE enables other public entities to concentrate on pursuing their primary missions.

MCE Collection Results



2000-01 Biennial Budget

PROGRAM: Accounts Receivable Management

AGENCY: Revenue, Department of (DOR)
(Continuation)

During F.Y. 1998, production declined due to a lack of agency referrals and the installation of a new MCE computer system. Both of these issues have been resolved. For example, the Department of Human Services was able to refer only a small number of child support cases because of its management system installation. Several other agencies needed to develop electronic referral methods for their cases. With any major new system, employees must be retrained and become familiar with the new features before regaining and increasing their productivity. As the system was installed and used, technical adjustments and modifications were needed for it to become fully operational. Collection activity is expected to rebound in F.Y. 1999 with the anticipated 65,000 referrals.

A study conducted by the Department of Finance comparing the efficiency and effectiveness of MCE with private collection agencies gave MCE a higher efficiency rating on receivables for child support, taxes and chemical dependency treatment services. Overall, MCE recovered 26% of receivables compared to the 17% recovered by private agencies. As a result of MCE's favorable performance, the 1997 Legislature enacted a law requiring all agencies to refer their uncollected and undisputed debts to MCE on or before the 121st day of delinquency.

MCE will accomplish these results during this biennium:

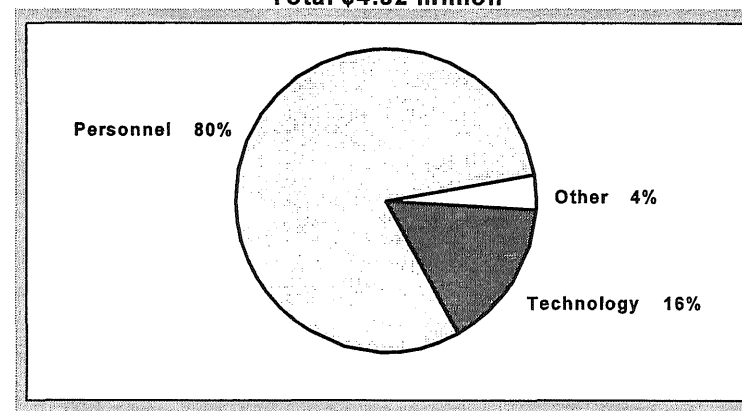
- expand the number of agencies and courts referring debt from 13 in F.Y. 1996 to 40 in F.Y. 2000
- expand the number of cases and amount of debt referred: 65,000 cases are expected annually beginning in F.Y. 1999
- increase the number of cases resolved from 29,000 in F.Y. 1996 to 35,000 in F.Y. 2000
- assist agencies in developing practices to manage their own debt effectively
- 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. 2000
- increase the percentage of dollars collected out of the amount available for non-tax debt collection from 8% in F.Y. 1996 to 20% in F.Y. 2000
- collect \$24 million during the F.Y. 2000-01 biennium

Expectations about the collectability of non-tax debt are lower because non-tax debt is older and more complicated. In addition, because MCE lacks administrative lien authority for non-tax debt, it requires additional time to obtain 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.

FINANCING INFORMATION: This activity generates revenue that is collected on behalf of a variety of agencies, including the court fines it collects for county district courts, and the child support payments and food stamps it collects for the federal government. MCE expects to collect \$24 million in the biennium. In addition, due to an F.Y. 1999 appropriation that will permit the Ely office to shift employees from part-time to full-time status, MCE will collection another \$2 million in General Funds.

**Minnesota Collection Enterprise
1998-99 Expenditures by Category
Total \$4.82 million**



BUDGET ISSUES: Under the current budget allotment, MCE will have the capacity to handle 65,000 cases annually. It has reached this capability due to collectors' increased experience in handling non-tax debts, improved business practices, and technological improvements such as a predictive dialing system and a new computer case-management system.

In addition, \$312,800 in additional funding was provided to convert many of MCE's Ely employees from part-time to full-time. If more cases are referred than expected, resource limitations may become an issue.

The case-management system will require upgrades every biennium and the financial system for non-tax debt must be maintained and supported.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: REVENUE DEPT

Program: ACCOUNTS RECEIVABLE MANAGEMENT

Activity: MINN COLLECTION ENTERPRISE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,043	1,847	2,109	2,165	2,165	2,224	2,224	433	10.9%
OPERATING EXPENSES	598	217	642	321	321	333	333	(205)	-23.9%
OTHER EXPENSES	1,475	1,733	4,479	3,000	3,000	3,000	3,000	(212)	-3.4%
SUBTOTAL STATE OPERATIONS	4,116	3,797	7,230	5,486	5,486	5,557	5,557	16	.1%
Total Expenditures	4,116	3,797	7,230	5,486	5,486	5,557	5,557	16	.1%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2,641	2,067	2,751	2,486	2,486	2,557	2,557		
STATUTORY APPROPRIATIONS:									
AGENCY	1,475	1,730	4,479	3,000	3,000	3,000	3,000		
Total Financing	4,116	3,797	7,230	5,486	5,486	5,557	5,557		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	16.5	27.9	27.9	27.9	27.9	27.9	27.9		
PART-TIME, SEASONAL, LABOR SER	16.8	11.0	11.0	11.0	11.0	11.0	11.0		
OVERTIME PAY	0.1	0.1	0.1	0.1	0.1	0.1	0.1		
Total Full-Time Equivalent	33.4	39.0	39.0	39.0	39.0	39.0	39.0		

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2000-01 Biennial Budget

AGENCY: Minnesota Amateur Sports Commission (MASC)

MISSION:

Mission: The purpose of the MASC is to elevate the economic and social benefits of amateur sports to enrich the lives of Minnesotans.

KEY SERVICE STRATEGIES:

■ *Facility Development*

The MASC identifies and develops major sport facilities for Minnesota.

■ *Sports Program/Event Development*

The MASC identifies and develops major amateur sports programs. MASC staff work with groups to create new sport events and collaborate with others to host national championship events. In the past 2 years, MASC staff expertise has created the Great American Shoot Out Basketball event and the USA International Hockey Cup.

■ *Sport Event Hosting*

The MASC partners with cities and sport groups to host major amateur sporting events. Recent examples of the MASC participating are the World Figure Skating Championships and World Cup Speed skating event.

■ *Grant Administration*

- Mighty Ducks Ice Arena Grants:
Help build new arenas and renovate existing ice arenas.
- Mighty Kids Sports Program Grants:
Help develop new sport programs to underserved youth.

PERFORMANCE SUMMARY:

■ *Facility Development*

The MASC has successfully identified and developed the following state amateur sports facilities:

	\$ in Millions		
	<u>State \$</u>	<u>Total</u>	<u>Opened</u>
Super Rink, Blaine	1.0	11.0	1998
Bush Lake Ski Jump, Bloomington	0.5	1.0	1998
Quad Cities Curling Center, Eveleth	1.25	2.75	1998
National Volleyball Center, Rochester	2.3	4.6	1998
John Rose Oval, Roseville	2.4	6.5	1994
Ole Mangseth Ski Jump, Coleraine	0.17	0.5	1991
National Kayaking Center, Carlton	0.26	0.35	1989
National Sports Center, Blaine	14.7	17.0	1990
U of M Aquatic Center, Minneapolis	3.0	18.0	1990
National Ice Hockey Center, St. Cloud	9.5	11.0	1990
Giants Ridge Ski Center, Biwabik	2.2	6.0	1987
Projects in Progress:			
Inner City Sports Center, Minneapolis	4.0	22.0	1999
National Youth Golf Center, Blaine	3.1	8.0	2001
National Girls Sports Center, St. Paul	0.8	TBD	TBD
Athletic Fields, Richfield	2.0	TBD	TBD
Event Center, St. Cloud	6.1	TBD	TBD

■ *Sports Program Development*

- Schwan's USA Cup Soccer Tournament (14,000 participants)
- Great American Shoot Out (1,600 participants)
- USA International Hockey Cup (2,400 participants)
- All-American Girls' Soccer Tournament (2,500 participants)
- All-American Girls' Ice Hockey Tournament (2,200 participants)
- Star of the North State Games (11,791 participants)

■ *Sport Event Hosting*

- 1998 World Figure Skating Championships
- 1998 World Junior Speed Skating Championships
- 1998 World Tug-of-War Championships
- 1997 World Cup Speedskating

2000-01 Biennial Budget

AGENCY: Minnesota Amateur Sports Commission (MASC)
(Continuation)

■ *Grant Administration*

- Mighty Ducks Ice Arena Grants (\$18.2 million)

This program has provided grants of up to \$250,000 for 60 new sheets of ice and grants up to \$50,000 for 85 sheets of ice for renovation projects. There have been 37 new arena grants and 46 for renovation grants distributed to participants in Greater Minnesota and 23 new arena grants and 39 renovation grants distributed to participants in the metro area.

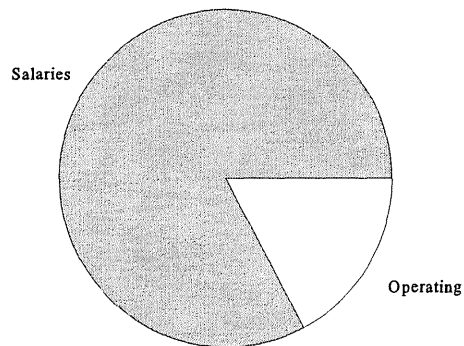
- Mighty Kids Sports Program Grants (\$400,000)

This program has awarded grants of up to \$20,000 to 104 communities statewide.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The following graphic shows the major categories of planned General Fund spending for the agency.

MASC ANNUAL BUDGET



ISSUES AFFECTING AGENCY'S OPERATIONS:

- The emergence of the National Sports Center in Blaine as a leading sports center in the nation. The addition of the Super Rink in 1998 and the National Youth Golf Center in 2000 with the current soccer, track and field, and cycling facilities will make the National Sports Center the biggest and best amateur sport facility and event host in the nation.
- The MASC agreement with the Minnesota Wild promises to help the MASC promote amateur hockey in Minnesota.
- The ongoing challenge of the Target Center agreement. In spite of the Target Center being rent free, the MASC has been able to make only limited use of the facility due to high service and facility fees.
- The MASC role in administering statewide grant programs. Since 1995 the MASC has administered approximately \$20 million in Mighty Duck Ice Arena grants and Mighty Kids program grants.
- The MASC continues to develop major sport facilities. The MASC has 5 major facilities in progress and will propose new facilities in 2000.

LCMR RECOMMENDATION:

- Ice Arena Design for Efficiency and Air Quality Continuation. This appropriation is from the Minnesota Future Resources fund to the Amateur Sports Commission for an agreement with Center for Energy and Environment in cooperation with the Department of Health to enhance energy efficiency and assure indoor air quality in new and existing ice arenas in Minnesota through technical assistance and energy audits.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget but makes no recommendation regarding the LCMR project put forward by the MASC. The Governor has also included funding to improve this agency's technology infrastructure in the Small Agency Infrastructure Initiative under the Minnesota Office of Technology.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: AMATEUR SPORTS COMM
Program: AMATEUR SPORTS COMMISSION
Activity: AMATEUR SPORTS COMMISSION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	419	493	533	531	531	547	547	52	5.1%
OPERATING EXPENSES	92	159	89	88	88	92	92	(68)	-27.4%
SUBTOTAL STATE OPERATIONS	511	652	622	619	619	639	639	(16)	-1.3%
LOCAL ASSISTANCE	2,199	4,096	3,254	750	800	750	800	(5,750)	-78.2%
Total Expenditures	2,710	4,748	3,876	1,369	1,419	1,389	1,439	(5,766)	-66.9%
<u>CHANGE ITEMS:</u>									
(B) ICE ARENA DESIGN FOR EFFICIENCY & AIR	<u>FUND</u> MNR				50		50		
Total Change Items					50		50		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	1,960	3,998	3,126	619	619	639	639		
MINNESOTA RESOURCES	0	0	0	0	50	0	50		
OPEN APPROPRIATIONS:									
GENERAL	750	750	750	750	750	750	750		
Total Financing	2,710	4,748	3,876	1,369	1,419	1,389	1,439		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	8.3	9.8	9.0	9.0	9.0	9.0	9.0		
PART-TIME, SEASONAL, LABOR SER	1.6	1.9	1.9	1.9	1.9	1.9	1.9		
Total Full-Time Equivalent	9.9	11.7	10.9	10.9	10.9	10.9	10.9		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **AMATEUR SPORTS COMM**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	1,749	1,749	1,749	1,749	0	0	0	0
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<400>	<400>	<400>	<400>	0	0	0	0
SMALL AGENCY OPERATIONAL EXPE	5	9	5	9	0	0	0	0
2000-01 SAL. & BEN. BASE	15	31	15	31	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	<380>	<360>	<380>	<360>	0	0	0	0
BASE BUDGET	1,369	1,389	1,369	1,389	0	0	0	0

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2000-01 Biennial Budget

AGENCY: Humanities Commission

AGENCY DESCRIPTION:

The Humanities Commission (HC) was created by US PL89-209 and authorized in M.S.138.91. It has been in operation since 1970. The goal of the HC is to improve the quality of community life in Minnesota through programs that promote excellence in reading, learning, cultural programming, and civics education. The HC assists families, schools, community groups, and senior citizen networks in planning and conducting cultural programs that build healthy communities. Through its 3 programs, Motherread/Fatheread (MR/FR), Grants and Community Programs and the Teacher Institute, the HC promotes family-centered reading programs, subject-content workshops and seminars for K-12 teachers, support for community cultural and heritage programs, and life-long learning in the humanities.

Motherread/Fatheread (MR/FR):

The HC trains facilitators throughout the state in the MR/FR curriculum. The program now operates in nearly 600 sites, many with multiple offerings of the MR/FR programs. The program serves parents, mothers-to-be, and children in child-care centers, Head and Even Start, ECFE programs, neighborhood outreach centers, schools, correctional institutions, and school-related programs.

Teacher Institute:

Teachers are introduced to new models for teaching, use of community resources, collaborative teaching, skills (reading, writing) teaching, and subject content in history, literature, languages and culture, and civics.

Grants and Community Programs:

The HC awards approximately 130 small grants (average \$2,500) each year in support of projects that meet the needs of diverse communities, especially those in Greater MN. These grants leverage an average of \$3 for every dollar awarded. The HC also supports organizations that comprise the following networks: Learning in Retirement, Humanities Organizations, and Ethnic and Cultural Organizations.

All these promote community learning and values. The HC is also the state's provider of training for the National Issues Forum, a community civics programs for discussion of current major domestic issues; Literature and the Professions, a national program for the discussion of work-related issues; and Evergreen Readers, a read-aloud program for frail senior citizens.

FUNDING SOURCES:

HC receives an appropriation of \$525,000 yearly from the National Endowment for the Humanities. This appropriation is the source of the grant funds awarded in free and open competition by HC in support of public humanities projects. HC aggressively seeks grants from private foundations and corporations.

	Dollars in Thousands			
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
State Appropriations-Operations	\$886	\$886	\$897	\$909
Federal	525	525	525	525
Private	445	550	650	650
TOTAL	\$1,856	\$1,961	\$2,072	\$2,084

EXPLANATION OF AGENCY'S BUDGET PLAN:

HC plans call for continuation of current level of funding F.Y. 2000 and 2001 to continue Motherread/Fatheread programming; seminars and workshops for standards-related teacher professional development; grants for public humanities projects, and support of senior citizen learning networks.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The HC works to ensure that communities throughout the state can provide programs in family reading, reading-readiness, senior citizen humanities learning, civic education, and programs that ensure teachers will be better able to teach humanities subjects: history, literature, ethics, civics, culture, and humanities skills: reading, writing, and inquiry. The HC has economical space at the Humanities Education Center for training sessions to assist groups in doing all these things. In the past 2 years, both MR/FR and the Teachers Institute have been evaluated by independent evaluators and shown to accomplish their stated goals.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HUMANITIES COMMISSION

Program: HUMANITIES COMMISSION

Activity: HUMANITIES COMMISSION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
LOCAL ASSISTANCE	586	886	886	897	897	909	909	34	1.9%
Total Expenditures	586	886	886	897	897	909	909	34	1.9%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	586	886	886	897	897	909	909		
Total Financing	586	886	886	897	897	909	909		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: HUMANITIES COMMISSION

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	886	886	886	886	0	0	0	0
BASE ADJUSTMENTS								
2000-01 SAL. & BEN. BASE	11	23	11	23	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	11	23	11	23	0	0	0	0
BASE BUDGET	897	909	897	909	0	0	0	0

2000-01 Biennial Budget

AGENCY: Arts Board

AGENCY DESCRIPTION:

The Minnesota State Arts Board is governed by an 11-member board appointed by the governor. The agency exists to provide grants and services to the statewide arts community. The primary beneficiaries of the agency are the citizens of Minnesota. Direct funding and services are provided to individual artists, schools, arts organizations, colleges and universities, communities, and sponsor groups which provide arts activities to serve the people of Minnesota.

The Arts Board also serves as the fiscal agent for 11 Regional Arts Councils (RACs) that comprise a statewide decentralized regranteeing system. Established by the legislature to provide state support apportioned through locally initiated programs, the Regional Arts Councils provide grants and support services to sustain and encourage a diverse range of local arts activities. In 1997 approximately 8,000,000 people attended arts events supported in part by legislative funding provided by both the Minnesota State Arts Board and the Regional Arts Councils. Attendance figures for 1998 are still being tabulated, but it is anticipated that the 1998 attendance figure will approach 15,000,000.

The mission of the Minnesota State Arts Board, through responsible stewardship, is to promote the quality of life in Minnesota by making the arts accessible to all citizens, nurturing creative activities, encouraging the development of innovative forms of artistic expression, and preserving the diverse artistic heritage of the people.

PERFORMANCE SUMMARY:

IN EACH YEAR OF THE BIENNIUM THE ARTS BOARD WILL:

- *Provide general support to at least 85 of Minnesota's premier arts organizations providing service statewide.*

This support has proven to be crucial to sustaining the state's cultural fabric. These funds have stabilized our leading arts organizations and have provided them with the flexibility essential to their growth and vitality.

- *Support 250 weeks of residencies by artists in schools across the state.*

By providing support directly to schools for artist residencies and by supporting arts organizations which produce artists residencies, hundreds of thousands of children are touched each year by the wonder of the arts, their cognitive skills are enhanced, and they are moved closer to successfully meeting the new graduation standards.

- *Underwrite a local celebration of the arts in 25 Minnesota communities.*

Whether it is a community residency and performance with the Saint Paul Chamber Orchestra in Perham, or a week-long Writer's Festival in Marshall, or a ballet company's week-long residency and community performance in Crookston in January, these local events make quality arts experiences available to people of all ages, in all communities across the state, year-round. They celebrate, revitalize, and stimulate community pride and spirit through active, local participation in the arts.

- *Preserve 10 of Minnesota's folk arts traditions by funding an apprentice to study under a master of that art form.*

From Ojibway basketry to hardanger fiddle playing to Hmong tapestry, Minnesota has a wealth of traditional folk arts that are kept alive for us and future generations by being passed down from master artist to apprentice.

- *Provide support to 100 of Minnesota's most promising artists.*

Either by recognizing the successes of an ongoing career through a fellowship grant, or addressing an immediate career opportunity of promising artists through a minimal subsidy, support to individual artists has always been the basic creative spark that is at the heart of the Minnesota arts community.

- *Support the efforts of 35 communities, schools, and nonprofit organizations to bring professional performances to their communities.*

Whether at the Fairmont Opera House, the Ordway Music Theatre, the Memorial Auditorium in Worthington, or the Myles Reif Performing Arts Center in Grand Rapids, arts performances provide inspiration to audiences, serve to bring people together, foster community spirit and pride, and enhance the quality of community life.

2000-01 Biennial Budget

AGENCY: Arts Board (Continuation)

- *Construct granting programs to ensure that at least 10% of the Arts Board and Regional Arts Councils' grant funds are directed to arts programs intended primarily for children.*

Children and art have always produced an easy but powerful connection. Children have a boundless creative spirit that is uninhibited by adult norms and based in a wonderful and expanding imagination. The Arts Board and the RACs work to nurture this unique and vital creativity in children through support to artists' residencies in schools, children's dance and theater programs, art classes, choral groups, and youth orchestras.

- *Provide at least \$50,000 of support to arts activities in traditionally underserved communities involving artists of color and/or recent immigrants.*

The arts and the need to create are universal and exist, in some form, in every culture and community in Minnesota. The Arts Board works to foster cultural and individual self-expression as a way of enhancing community and cultural identity and as a means to open new lines of communication between peoples. Of particular concern to the Arts Board are new immigrants, who have recently arrived in Minnesota.

REVENUES:

None

EXPLANATION OF AGENCY'S BUDGET PLAN:

The agency has 3 program areas: Operations and Services, Grants and Subsidies, and Regional Arts Councils.

OPERATIONS AND SERVICES:

The agency will continue to manage its operations with a staff of 18 individuals. Operations and services constitute less than 7.5% of the agency's overall budget, one of the lowest percentages of any of the nation's 50 state arts agencies.

GRANTS AND SUBSIDIES:

The agency administers 6 distinct programs that make the arts accessible to the citizens of Minnesota. These programs are supported by a mix of primarily state and some federal and private funding and are described below. In addition, the Arts Board works in partnership with a variety of state agencies, nonprofit organizations, and for-profit businesses to further its mission. Each of the Arts Board's granting programs uses citizen panels to review applications and make funding recommendations to the board for their final approval. In 1998, 126 Minnesotans volunteered their time to assist the Arts Board to equitably distribute the funding it has available.

Institutional Support:

Supports arts organizations with operating budgets greater than \$117,000 that provide quality performances, exhibitions, and artist services throughout the state. Applicants undergo extensive reviews of their artistic quality, fiscal management, accessibility, and service to the state. All successful grantees receive a grant based on the same percentage of their 2-year average operating expenses. In F.Y. 1998 that common percentage was 3.43%. In addition, applicants demonstrating exceptional work are eligible to receive merit grants in amounts up to 10% of their budget.

Arts in Education:

Supports arts activities directed at the children in Minnesota schools grades K-12. Schools receive direct support to contract from a juried roster of 70 high-quality artists from across the state working in the visual, literary, and performing arts. These artists are reviewed to ensure that they have the expertise needed to work in classroom settings and are currently being trained to address the specific needs of the graduation standards. In addition, arts organizations are eligible to receive Arts Board support to place artists affiliated with their institutions in school residency activities.

Arts Across Minnesota:

Supports special celebrations of our Minnesota culture, heritage, arts, and community by funding arts festivals and tours in every region of the state. Arts festivals receive grants for artists, performances, and educational activities; the touring component enables host communities to present public performances, school programs, and community workshops by some of Minnesota's premier performing arts organizations.

2000-01 Biennial Budget

AGENCY: Arts Board
(Continuation)

Folk Arts:

Works to preserve and perpetuate Minnesota's living folk arts traditions. The program matches master artists with apprentices and supports their work together so that specific traditional arts may be passed on from one artist to another and preserved for the future. The program also supports the presentation and interpretation of the folk arts through sponsorship grants to organizations in communities throughout the state.

Artist Assistance:

Supports the creation of artwork by artists who live and work in every area of the state. According to recent census figures, there are 31,000 working artists in Minnesota. The Arts Board assists these artists through Fellowship grants which are directed at the highest quality artists in Minnesota; through Career Opportunity grants which are designed to build the professional careers of artists in the visual, performing, and literary arts; and through Cultural Collaborations grants which pair artists of color with arts organizations and nonprofit community groups to create new works of art.

Presenter Support:

Supports the many presenters across Minnesota who bring to their communities the very best artists and performing companies from across the state, country, and the world. As with Institutional Support, presenting organizations undergo extensive reviews of their artistic quality, fiscal management, accessibility, and service to the state. In addition to a grant supporting their presenting activities, successful, eligible grantees also receive a grant based on a percentage of their 2-year average operating expenses. Grant support is also available to smaller organizations presenting only 2 or 3 events in a year and to organizations focused on presenting folk artists.

Partnerships:

Whenever possible the Arts Board takes advantage of partnership arrangements. These partnerships increase the level of services the Arts Board provides to the state's arts community, enhance the benefits received by all Minnesotans, address specific areas of concern, and more efficiently carry out the Arts Board's mission. Examples of past partnerships include US West in promoting and supporting Arts Across Minnesota program activity, Norwest Foundation in increasing support to mid-size metro area arts organizations, the Minnesota History Center in presenting folk artists, the Perpich Center for Arts Education and the Minnesota Alliance for Arts in Education in addressing the new graduation standards, and the Native Arts Circle in improving the business environment for this area's traditional bead workers.

REGIONAL ARTS COUNCILS:

The 11 Regional Arts Councils (RACs) ensure that the arts are accessible throughout Minnesota by providing vital grants and services to small professional organizations, community-based arts activities, and artists. While each council's programs are unique to its region, general grant programs are described below. Additional services include technical assistance, conferences and workshops, publications, artist directories, on-site assistance, and public education.

General operating grants provide a critical base of support helping to sustain and expand many established arts organizations in greater Minnesota. Organizational Development grants help strengthen the management or administration of arts organizations by funding projects that demonstrate the potential for long-term impact.

Sponsorship grants enable local presenters to bring Minnesota and national artists to their communities providing many community residents their only opportunity to see professional artists perform in geographically accessible locations.

Production grants provide vital project support for the creation of dance, music, theater, visual, and literary arts activities. In many cases recipient groups do not have access to other funding sources, relying on community goods, services, and ticket revenue to cover the grants required matching funds.

Arts in Education and Mentor grants provide opportunities for artists to work in schools and other educational settings to strengthen and enhance the educational experiences of youth that would not otherwise exist due to lack of school budget funding.

2000-01 Biennial Budget

AGENCY: Arts Board
(Continuation)

Individual artist grants help support the creation of art by working artists and provide learning and exhibition opportunities for artists helping to ensure that all communities across the state are able to retain an important community resource - individual artists.

Capital grants help communities make needed improvements and facility restoration, bring buildings up to code (including meeting Americans with Disabilities Act (ADA) compliance requirements), and provide organizations with access to technology and equipment.

Community Access grants enable traditionally underserved individuals to participate in community arts activities. These grants also foster partnerships between arts organizations and their respective communities and regions.

Every biennium the RACs implement a needs assessment and develop a plan outlining services to be delivered based on citizen response and available resources. Each RAC also establishes performance goals around program outcomes, agency efficiency, work output, and constituent and public satisfaction.

The Regional Arts Councils have used legislative funds effectively to strengthen the arts, artists, and communities throughout Minnesota. In F.Y. 1998 RACs awarded 1,260 grants (64% of requests) which served 2,734,286 people. They funded 232 arts in education projects reaching 130,765 children and an additional 360,561 youth benefited through other projects awarded RAC funding. RACs awarded grants to 189 artists, provided 466 workshops and conferences, and produced 81 publications that reached over 130,765 people.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The Arts Board receives federal block grant support from the National Endowment for the Arts (NEA). Historically, as the state of Minnesota recognized the importance and value of government support of the arts and increased the budget of the Arts Board, the NEA experienced significant budget reductions. A primary result of these changes is that the proportion of the Arts Board's total budget

received from the NEA has dropped significantly, from a high of 12 % in 1996 to the current level of 4 % in 1999. A secondary result is that, in order to maintain its current level of service, an increasing portion of the Arts Board's NEA support has been used for Operations and Services. In F.Y. 1999 the Arts Board's budget projects that \$290,000, or 53.1% of NEA dollars will be directed to Operations and Services, while only 7.37% of state support will go to Operations and Services.

This disproportion puts the agency at risk. Should the NEA's funding again be significantly reduced or even eliminated, the Arts Board would no longer be able to effectively provide its current level of services.

The solution needed to eliminate this risk would be to move \$290,000 of the state's allocation of grant support to Operations and Services and replace those dollars with NEA support currently being used for Operations and Services. This change would not alter the total amounts the Arts Board uses for Grants or Operations and Services, but it would result in a much more stable and secure agency for the state.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ARTS BOARD

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
OPERATIONS & SERVICES	1,049	1,182	1,450	1,238	1,238	1,268	1,268	(126)	-4.8%
GRANT PROGRAMS	5,233	8,722	9,114	8,837	8,837	8,837	8,837	(162)	-.9%
REGION ARTS FISC AGENT	1,427	3,512	3,535	3,535	3,535	3,535	3,535	23	.3%
Total Expenditures	7,709	13,416	14,099	13,610	13,610	13,640	13,640	(265)	-1.0%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	7,184	13,035	13,167	13,064	13,064	13,094	13,094
STATUTORY APPROPRIATIONS:							
FEDERAL	519	350	765	546	546	546	546
GIFT	6	31	167	0	0	0	0
Total Financing	7,709	13,416	14,099	13,610	13,610	13,640	13,640

FTE BY EMPLOYMENT TYPE:							
FULL TIME	15.5	16.6	18.0	18.0	18.0	18.0	18.0
PART-TIME, SEASONAL, LABOR SER	0.3	0.2	0.2	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	15.8	16.8	18.2	18.0	18.0	18.0	18.0

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: ARTS BOARD

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	13,581	13,581	13,035	13,035	0	0	546	546
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	4	8	4	8	0	0	0	0
SMALL AGENCY OPERATIONAL EXPE	6	11	6	11	0	0	0	0
2000-01 SAL. & BEN. BASE	19	40	19	40	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	29	59	29	59	0	0	0	0
BASE BUDGET	13,610	13,640	13,064	13,094	0	0	546	546

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ARTS BOARD

Program: OPERATIONS & SERVICES

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
OPERATIONS & SERVICES	1,022	1,163	1,291	1,238	1,238	1,268	1,268	52	2.1%
DEVELOPMENTAL PROGRAMS	27	19	159	0	0	0	0	(178)	-100.0%
Total Expenditures	1,049	1,182	1,450	1,238	1,238	1,268	1,268	(126)	-4.8%

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	759	944	1,003	989	989	1,019	1,019
STATUTORY APPROPRIATIONS:							
FEDERAL	284	228	300	249	249	249	249
GIFT	6	10	147	0	0	0	0
Total Financing	1,049	1,182	1,450	1,238	1,238	1,268	1,268

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	15.5	16.6	18.0	18.0	18.0	18.0	18.0
PART-TIME, SEASONAL, LABOR SER	0.3	0.2	0.2	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	15.8	16.8	18.2	18.0	18.0	18.0	18.0

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ARTS BOARD

Program: GRANT PROGRAMS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
OPERATING SUPPORT ONE	1,128	1,544	1,544	1,544	1,544	1,544	1,544	0	.0%
OPERATING SUPPORT TWO	429	679	678	658	658	658	658	(41)	-3.0%
OPERATING SUPPORT COMMUNITY	329	600	600	600	600	600	600	0	.0%
PRESENTER ASSISTANCE	128	808	818	811	811	811	811	(4)	-.2%
ARTISTS IN EDUCATION	272	335	580	445	445	445	445	(25)	-2.7%
INDIVIDUAL ARTISTS	270	415	556	516	516	516	516	61	6.3%
FOLK ARTS GRANTS	0	83	80	80	80	80	80	(3)	-1.8%
FORMULA FUND GRANTS	2,481	4,133	4,133	4,133	4,133	4,133	4,133	0	.0%
CULTURALCOLLABORATIONS	0	50	50	50	50	50	50	0	.0%
AIE-FISCAL AGENTS	196	75	75	0	0	0	0	(150)	-100.0%
Total Expenditures	5,233	8,722	9,114	8,837	8,837	8,837	8,837	(162)	-.9%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	4,998	8,579	8,629	8,540	8,540	8,540	8,540
STATUTORY APPROPRIATIONS:							
FEDERAL	235	122	465	297	297	297	297
GIFT	0	21	20	0	0	0	0
Total Financing	5,233	8,722	9,114	8,837	8,837	8,837	8,837

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ARTS BOARD

Program: REGION ARTS FISC AGENT

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
REGION GRNTS-PROG-SERV	1,427	3,512	3,535	3,535	3,535	3,535	3,535	23	.3%
Total Expenditures	1,427	3,512	3,535	3,535	3,535	3,535	3,535	23	.3%

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	1,427	3,512	3,535	3,535	3,535	3,535	3,535
Total Financing	1,427	3,512	3,535	3,535	3,535	3,535	3,535

2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Military Affairs, Department of

AGENCY MISSION AND VISION:

The Minnesota Department of Military Affairs, also known as the Minnesota National Guard, is unique in that it has both state and federal responsibilities. The department leads and manages both state and federal programs.

Federal Mission: As a federal entity, the 11,600 military members of the Minnesota National Guard serve as a reserve force for the United States Army and Air Force. They are subject to be called to federal active duty for extended periods of time by the President.

State Mission: As a state entity, the Minnesota National Guard provides support to local law enforcement agencies during natural disasters and other emergencies at the direction of the Governor. Other state missions include: protecting the state's investment in facilities through a facilities maintenance program; and supporting the recruiting efforts of the National Guard through incentive programs.

Community Mission: The Minnesota National Guard is also involved in community support projects throughout the state. These projects give our soldiers a chance to "give back to the community" and become role models in their communities.

The vision of the Minnesota National Guard is to successfully recruit, train and organize personnel to satisfy federal, state, and community mission requirements.

KEY SERVICE STRATEGIES:

The agency uses these strategies in pursuit of its mission and vision:

- Recruit and retain quality personnel.
- Develop and maintain quality facilities.
- Continue to develop Camp Ripley as a modern, multi-use facility.
- Seek partnerships that enable the agency to leverage existing resources to participate in community support projects and activities.

OPERATING ENVIRONMENT:

Key service strategy impactors are:

- A robust economy with low unemployment can impact recruiting activities.
- A growing increase in the federal use of the National Guard (i.e., long overseas deployments) can impact personnel retention.
- Aging Minnesota National Guard facilities have created a significant back-log of maintenance requirements.

ORGANIZATION/PROGRAM STRUCTURE:

	<u>FTE</u>	<u>Federal Funded</u>	<u>State Funded</u>	<u>Special Funded</u>
Adjutant General				
Administrative Services	21	0	21	0
Enlistment Incentives	1	0	1	0
Air National Guard				
Duluth				
Security	11	11	0	0
Firefighters	24	24	0	0
Civil Engineering	18	14	4	0
Twin Cities				
Security	10	10	0	0
Civil Engineering	21	16	5	0
Facilities Management				
Operations	44	34	10	0
Public Works	79	41	38	1
Camp Commander				
Training Site	31	23	2	6
Community Support				
Youth Programs	7	0	7	0
TOTAL	268	194	67	7

GOVERNOR'S RECOMMENDATION:

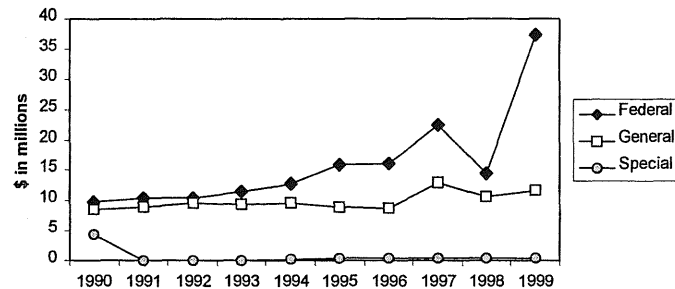
The Governor recommends the agency's base budget and 3 initiatives: The Military Fund Allowance which provides an increase for necessary military expenses; Enlistment Incentives, an increase in funding for tuition reimbursement; and Facilities Maintenance, which provides funding to protect Minnesota's investment in National Guard facilities. The Governor recommends that Guard Our Youth funding be continued by a grant through the After School Enrichment grant program administered by Education, Children & Families.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Military Affairs, Department of
(Continuation)

TRENDS AND PERSPECTIVE:

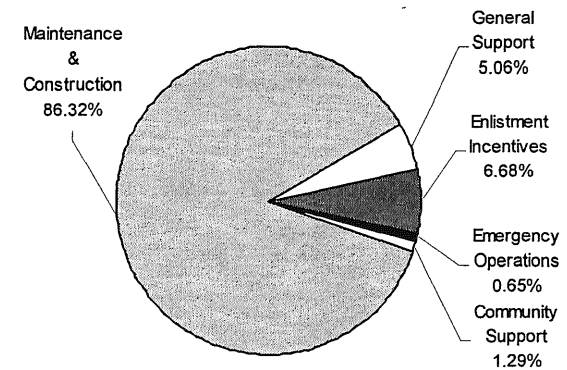
10 Year Budget - By Fund



- F.Y. 1997 spike in federal funding was the advance of \$2,500,000 in FEMA funds for the floods of 1997.
- F.Y. 1999 estimate represents the total funding federal funding request for all potential projects, including the completion of the Combined Support Maintenance shop at Camp Ripley and the federal share of funding for the proposed replacement of armories at Stillwater and Mankato.

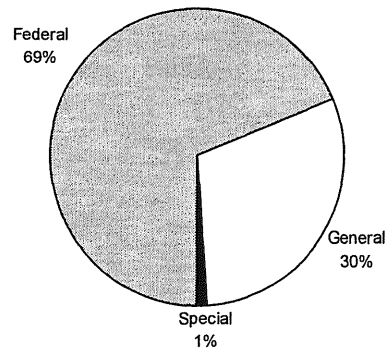
F.Y. 1998-99 Expenditures by Program

Total \$75.1 million



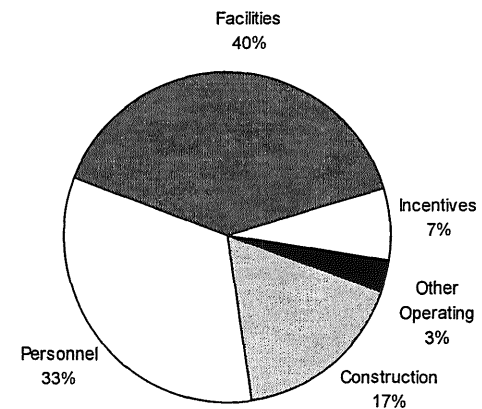
F.Y. 1998-99 Expenditures By Fund

Total \$75.1 million



F.Y. 1998-99 Expenditures by Category

Total \$75.1 million



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
MAINT-TRAINING FACILITIES	25,451	19,988	44,365	43,615	44,615	43,959	44,959	25,221	39.2%
GENERAL SUPPORT	1,793	2,060	2,555	1,950	1,985	2,002	2,037	(593)	-12.8%
ENLISTMENT INCENTIVES	2,902	2,844	2,670	2,354	2,954	2,355	2,955	395	7.2%
EMERGENCY SERVICES	5,532	500	161	75	75	75	75	(511)	-77.3%
Total Expenditures	35,678	25,392	49,751	47,994	49,629	48,391	50,026	24,512	32.6%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	9,926	10,214	11,627	9,826	11,461	9,971	11,606
OPEN APPROPRIATIONS:							
GENERAL	2,962	351	160	0	0	0	0
FEDERAL	2,500	0	0	0	0	0	0
STATUTORY APPROPRIATIONS:							
GENERAL	15	17	120	20	20	20	20
SPECIAL REVENUE	435	407	398	427	427	429	429
FEDERAL	19,840	14,403	37,446	37,721	37,721	37,971	37,971
Total Financing	35,678	25,392	49,751	47,994	49,629	48,391	50,026

FTE BY EMPLOYMENT TYPE:							
FULL TIME	273.8	268.1	270.6	263.6	263.6	263.6	263.6
PART-TIME, SEASONAL, LABOR SER	27.8	26.7	26.7	26.7	26.7	26.7	26.7
OVERTIME PAY	2.4	1.6	1.6	1.6	1.6	1.6	1.6
Total Full-Time Equivalent	304.0	296.4	298.9	291.9	291.9	291.9	291.9

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Military Affairs, Department of

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$10,502	\$10,502	\$21,004
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(925)	(925)	(1,850)
Biennial Appropriation	75	75	150
Pension Reduction	(6)	(6)	(12)
Documented Rent Increase	37	54	91
Salary and Benefit	124	252	376
Statewide Administrative Systems	<u>19</u>	<u>19</u>	<u>38</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$9,826	\$9,971	\$19,797
<u>CHANGE ITEMS</u>			
Military Fund Allowances	35	35	70
Enlistment Incentives	600	600	1,200
Facilities Maintenance	<u>1,000</u>	<u>1,000</u>	<u>2,000</u>
GOVERNOR'S RECOMMENDATION	\$11,461	\$11,606	\$23,067

Brief Explanation of Budget Decisions:

BASE:

- The department will spend approximately \$1.2 million annually to match federal funds for operation, maintenance, and repair of federally supported facilities. This will amount to almost \$3.7 million in federal funding spent in the state.

BASE ADJUSTMENTS:

- Includes the removal of 3 one time appropriations: \$400,000 each year for youth programs; \$475,000 each for facilities maintenance and repairs; and \$50,000 each year for soft-skills programs. A biennial appropriation of \$150,000 continues funding for emergency services. \$12,000 relating to Uniform Pension Reduction. Base increases have been made for compensation, rent, and statewide system costs so that the department can continue its basic functions.

CHANGE ITEMS:

- **Military Fund Allowances:** Raises the level of support for military unit minor operating costs. This allowance has not increased for many years and has lagged woefully behind the inflation rate.
- **Enlistment Incentives:** Increased funding for tuition reimbursement that allows the department to continue to pay bonuses for enlistment and reenlistment.
- **Facilities Maintenance:** Maintenance and repair of state owned facilities. This initiative was developed through our work on the statewide facilities management group. It is also intended to replace last bienniums one-time funding for facilities maintenance and repairs.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget and 3 initiatives: The Military Fund Allowance which provides an increase for necessary military expenses; Enlistment Incentives, an increase in funding for tuition reimbursement; and Facilities Maintenance, which provides funding to protect Minnesota's investment in National Guard facilities. The Governor recommends that Guard Our Youth funding be continued by a grant through the After School Enrichment grant program administered by Education, Children & Families.

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**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Military Affairs, Department of

REVENUE SOURCES:

The department generates dedicated revenue, special revenue, and federal funds.

- Dedicated revenue is generated by the lease of federally supported facilities at Camp Ripley through an inter-agency agreement with the Department of Natural Resources, Department of Public Safety, and the Department of Corrections. The revenue generated is reimbursed into the 300 federal fund since 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 also generated in 2 armory facilities through reimbursement from units of local government for payment of personnel and operational costs associated with on-going, long term lease arrangements.
- Federal funds are received as reimbursements through federal/state cooperative agreements for Army and Air National Guard training and logistical facilities. The funds are for operating costs for federally supported facilities and for construction costs.

None of the above generate additional dollars for their respective funds. The remaining revenue is all in the form of dollar for dollar reimbursements for operating costs and federal construction.

FEE STRUCTURE:

The dedicated funds received through the lease of Camp Ripley facilities by other state agencies, must be deposited in the 300 federal fund because all costs associated with the leased facilities are supported 100% by the federal government. Receipts average about \$85,000 per fiscal year.

The special revenue realized from Camp Ripley housing operations is deposited in the special revenue 200 fund to reimburse the salaries of state employees and other operating costs.

Special revenue is also generated as a result of space sharing arrangements in the Bloomington and Cottage Grove armories. The City of Bloomington utilizes portions of that facility for recreational programs and reimburses the department for their pro-rata share of custodial personnel. In Cottage Grove, Washington County shares a portion of the armory for a branch of their court system. They reimburse the department for their pro-rata share of operating costs.

Federal grants are received in the form of reimbursements for actual costs of personnel, operations, maintenance, and construction at logistical facilities located at Camp Ripley, an Army Aviation Support Facility in St. Paul, the 2 Air Guard bases, and vehicle repair facilities located throughout the state. These funds average between \$20 and \$30 million annually depending on the level of construction. These funds account for almost 70% of the total department funding. Other federal dollars are received by the department for National Guard operations which do not pass through the state budget.

RECENT CHANGES:

During this past biennium, all federal construction dollars were in the form of reimbursement for state expenditures on behalf of the federal government. Previously, construction contracts were negotiated under state and federal contracting procedures, however payment for the federal share was provided to the state as an advance to the 300 fund.

FORECAST BASIS:

The estimated federal revenue for the next biennium anticipates additional federal appropriations for construction. The level of federal funding for construction has been decreasing nation-wide.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<u>NON-DEDICATED REVENUE:</u>									
OTHER REVENUES:									
GENERAL	17	14	5	5	5	5	5	(9)	-47.4%
OTHER SOURCES:									
GENERAL	1	1	2	2	2	2	2	1	33.3%
Total Non-Dedicated Receipts	18	15	7	7	7	7	7	(8)	-36.4%
<u>DEDICATED RECEIPTS:</u>									
GRANTS:									
GENERAL	10	0	0	0	0	0	0	0	
SPECIAL REVENUE	350	361	323	352	352	354	354	22	3.2%
FEDERAL	22,229	17,010	37,295	37,720	37,720	37,970	37,970	21,385	39.4%
OTHER REVENUES:									
GENERAL	9	74	120	20	20	20	20	(154)	-79.4%
SPECIAL REVENUE	85	46	75	75	75	75	75	29	24.0%
FEDERAL	111	263	151	1	1	1	1	(412)	-99.5%
Total Dedicated Receipts	22,794	17,754	37,964	38,168	38,168	38,420	38,420	20,870	37.5%
Agency Total Revenues	22,812	17,769	37,971	38,175	38,175	38,427	38,427	20,862	37.4%

**2000-2001 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Military Affair, Department of

Maintenance of Training Facilities Program

Importance

The department receives federal funds through the execution of cooperative agreements for the operation of facilities and for construction programs.

Federal funds are also received under cooperative agreement appendices for operation and maintenance of federally supported logistical facilities. Most funding is received as a match to state funding under a 75% - 25% arrangement although environmental, security, telecommunications, and fire-fighting appendices are 100% federally funded.

The department's logistical facilities are used to maintain and support the operation of federally provided aircraft, vehicles, and other military equipment. Construction of these facilities is typically funded entirely by the federal government. We have recently completed Phase I of the Combined Support Maintenance Shop at Camp Ripley. We have also requested over \$10 million in federal funds to complete Phase II of the facility for F.Y. 2000. Lack of funding for this facility has significant impact on the ability of the department to maintain and support the federal equipment utilized during state and national emergencies.

Significant Changes

Nationwide, federal funding for military construction has been declining. These funds are used for construction of armory and logistical facilities. The lack of funding for construction has serious implications for the department's armory replacement program. Forty-three percent of the department's 61 armories are over 40 years old. Twenty-one percent of these are over 70 years old. These facilities are difficult to maintain, have outlived their expected useful lives, and are functionally obsolete. The department has attempted to acquire federal funding to replace 1 facility per year, but has not received major construction funding since 1996. This negatively impacts on our ability to attract, train, and retain National

Guard members in sufficient numbers to accomplish federal, state, and community missions. We have received notification of possible \$1.1 million in minor construction funding for F.Y. 1999.

Future Funding

We anticipate further reductions in federal funding for operation of Army National Guard logistical facilities, including Camp Ripley. Federal funding for security and airfield fire-fighting has also been inadequate in recent years. We see this trend continuing.

**2000-2001 Biennial Budget
Federal Funds Summary (Cont.)
(\$ in Thousands)**

Agency: Military Affairs, Department of

Federal Program	Related State Spending	Primary Purpose	SFY 1998 Revenues	SFY 1999 Revenues	Estimated SFY 2000 Revenues	Estimated SFY 2001 Revenues
Armory Construction	Lease costs only	Training facilities	0	0	6,000	10,000
Logistical Facility Construction	None	Logistical facilities	1,037	15,051	10,000	8,000
Minor Construction	None	Ranges, expansion, etc	441	4,974	6,000	4,000
Operational	25% match	Operation of state/federal facilities	3,132	3,168	3,000	3,000
Environmental, Security, Firefighting, Telecomm	None	Operational	11,108	15,106	15,000	15,000
Agency Total			15,718	38,299	40,000	40,000

2000-01 Biennial Budget

PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

PROGRAM PROFILE:

The Adjutant General is charged with operation, care, and preservation of facilities and installations. The purpose of this program is to:

- Protect the state's investment in state owned facilities.
- Provide for operating costs of both state and federally supported facilities utilized by the Army and Air National Guard members, and employees of the department.

STRATEGIES AND PERFORMANCE:

In many cases, the department has reduced the staffing levels at facilities to be able to afford maintenance and operating costs. This is often at the expense of facility cleanliness and minor repair. Currently, 5 of 61 armories have general maintenance workers who are shared with another armory and another 20 armories are staffed at less than full-time. The department is developing a centralized, computer based work order center to track and manage all maintenance and repair activities. In F.Y. 1998, this center completed over 7,000 work orders.

FINANCING INFORMATION:

Funding for most activities under this program are identified at the budget activity level. Additional federal funding is received under this program in the amount of \$1.978 million for the biennium as a "pass through" for payment of telecommunications costs for National Guard facilities. Federal funds are also received for upgrading federally supported facilities as a pass through under the "Quality of Life" program.

The department works aggressively to match current federal funding levels and acquire additional funds for operation and maintenance of federally supported facilities.

BUDGET ISSUES:

This program is required for the operation, maintenance, and repair of state owned and department operated facilities. We expect continued inflationary pressures in salaries, supplies, and utilities to further reduce the purchasing power of money within this appropriation.

The department, along with the Statewide Facilities Management Group, has submitted a change item recommending an increase of funding for the maintenance of facilities. This is in response to the 1998 amendment of M.S. 16A.11.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base funding and a biennial increase of \$2 million for Facilities Maintenance to protect the state's investment in military facilities. This recommendation is part of a state-wide multi-agency initiative to reduce facility repair and replacement needs by approximately 5% each year.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT

Program: MAINT-TRAINING FACILITIES

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
CAMP RIPLEY/HOLMAN	11,379	8,506	16,019	15,074	15,074	15,256	15,256	5,805	23.7%
ARMORY MAINTENANCE	9,204	6,277	23,592	23,590	24,590	23,653	24,653	19,374	64.9%
AIR BASE MAINT-TWIN CITIES	1,814	2,001	1,788	1,915	1,915	1,951	1,951	77	2.0%
AIR BASE MAINT-DULUTH	3,054	3,204	2,966	3,036	3,036	3,099	3,099	(35)	-.6%
Total Expenditures	25,451	19,988	44,365	43,615	44,615	43,959	44,959	25,221	39.2%

<u>CHANGE ITEMS:</u>	<u>FUND</u>			
(B) FACILITIES MAINTENANCE	GEN			1,000
Total Change Items				1,000

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	5,463	5,446	6,730	5,777	6,777	5,869	6,869
STATUTORY APPROPRIATIONS:							
GENERAL	15	17	120	20	20	20	20
SPECIAL REVENUE	331	348	299	327	327	329	329
FEDERAL	19,642	14,177	37,216	37,491	37,491	37,741	37,741
Total Financing	25,451	19,988	44,365	43,615	44,615	43,959	44,959

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	250.3	240.2	240.2	240.2	240.2	240.2	240.2
PART-TIME, SEASONAL, LABOR SER	27.0	26.0	26.0	26.0	26.0	26.0	26.0
OVERTIME PAY	2.3	1.6	1.6	1.6	1.6	1.6	1.6
Total Full-Time Equivalent	279.6	267.8	267.8	267.8	267.8	267.8	267.8

2000-01 Biennial Budget

BUDGET ACTIVITY: Camp Ripley/Holman
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY PROFILE:

This activity provides for the daily operation, maintenance, and repair of:

Camp Ripley Military Reservation

- 53,000 acres
- 2,306,723 square feet of facilities
- 1,424 buildings

Various logistical facilities

- 64 Structures
- 508,027 total square feet; 127,006 state supported square feet
- 697 acres
- \$50,392 thousand investment in facilities

These facilities are used to train and house:

- 9,500 Members of the MN Army National Guard
- Military units from other nations
- Reserve components from MN and other states
- Active component soldiers from other branches
- Department of Natural Resources
- Department of Public Safety
- Department of Corrections
- MN State Patrol
- Other governmental entities

STRATEGIES AND PERFORMANCE:

The department aggressively pursues strategies that leverage these resources by developing inter-agency agreements and agreements with other governmental entities. There is also an ongoing effort to upgrade facilities and firing ranges designed to increase the use of Camp Ripley. These partnerships help finance the operating costs for these facilities and make more efficient use of state tax dollars.

FINANCING INFORMATION:

Almost all of the facilities at Camp Ripley are supported entirely by federal dollars. The operations and maintenance costs for the remaining logistical facilities at Camp Ripley and other locations in the state are funded 75% by federal funds and 25% state General Funds. All of these facilities were constructed with federal funds.

All the revenue generated by the use of the federally supported facilities at Camp Ripley reimburse the costs of operation, maintenance, and repair of those facilities. Aggressive leasing of these facilities helps to offset the loss of federal dollars.

Financing sources for operation, maintenance, and repair:

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
General Funds	\$835	\$898
Special Funds	300	273
Federal Funds	<u>4,574</u>	<u>4,416</u>
TOTAL	\$5,709	\$5,587

BUDGET ISSUES:

This budget is required to support operations and maintenance of Camp Ripley Facilities and logistical facilities located around the state. It is crucial that the state be able to provide the 25% match for the federal funds for the operations and maintenance of these facilities. For every state dollar we cannot provide we lose \$3 of federal support and consequently facilities cannot be maintained at an acceptable level.

These facilities are of the utmost importance in training the soldiers and airmen of the Minnesota National Guard as they prepare to meet the challenges of their federal and state missions.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT
Program: MAINT-TRAINING FACILITIES
Activity: CAMP RIPLEY/HOLMAN

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	5,637	5,332	5,147	5,456	5,456	5,638	5,638	615	5.9%
OPERATING EXPENSES	5,053	3,174	10,872	9,618	9,618	9,618	9,618	5,190	37.0%
NON-CASH TRANSACTIONS	689	0	0	0	0	0	0	0	
SUBTOTAL STATE OPERATIONS	11,379	8,506	16,019	15,074	15,074	15,256	15,256	5,805	23.7%
Total Expenditures	11,379	8,506	16,019	15,074	15,074	15,256	15,256	5,805	23.7%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	893	857	975	996	996	1,016	1,016		
STATUTORY APPROPRIATIONS:									
GENERAL	9	17	120	20	20	20	20		
SPECIAL REVENUE	258	283	248	275	275	277	277		
FEDERAL	10,219	7,349	14,676	13,783	13,783	13,943	13,943		
Total Financing	11,379	8,506	16,019	15,074	15,074	15,256	15,256		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	350	4	0	0	0	0	0		
FEDERAL	4,905	4,718	4,577	4,688	4,688	4,850	4,850		
Total Revenues Collected	5,255	4,722	4,577	4,688	4,688	4,850	4,850		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT
Program: MAINT-TRAINING FACILITIES
Activity: CAMP RIPLEY/HOLMAN

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	124.0	112.8	112.8	112.8	112.8	112.8	112.8
PART-TIME, SEASONAL, LABOR SER	10.3	10.5	10.5	10.5	10.5	10.5	10.5
OVERTIME PAY	1.1	0.6	0.6	0.6	0.6	0.6	0.6
Total Full-Time Equivalent	135.4	123.9	123.9	123.9	123.9	123.9	123.9

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2000-01 Biennial Budget

BUDGET ACTIVITY: Armory Maintenance
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY PROFILE:

This activity provides the funding for the daily operation, maintenance and repair of armories located throughout the state:

- 61 facilities
- 1,605,284 Square feet
- 246 acres of supporting property
- \$249,437,700 of investment in facilities

Armories are used for:

- Administrative and logistical support and training for the 9,500 Army National Guard soldiers located in Minnesota.
- Stationing and support of soldiers called to state active duty by the governor in response to emergencies.
- Events and programs of government and community organizations and individuals including "Guard Our Youth" programs.

STRATEGIES AND PERFORMANCE:

The department is nationally recognized for the creative funding and use of the armories. We work diligently to provide the best programs for the state and for taxpayers. Some facilities are shared with other governmental agencies who help pay the costs of operation, maintenance, and repair. In some instances services are provided in-kind. Eight of our newest facilities have been built with and are operated in conjunction with local governments. These partnerships all help reduce the overhead costs the department must pay.

One of the measures of the department's ability to protect the state's investment is the backlog of maintenance and repair (BMAR). The department's aging inventory of facilities will place greater demands on the maintenance budget and hence cause the BMAR to increase. The agency's goal is to reduce the level of BMAR by at least 5% per year. We have not been able to meet that goal at current

funding levels. The BMAR has increased slightly from \$18,633,806 on January, 1997 to \$20,283,354 on September, 1998. The main reasons for this are:

- Lack of adequate facility maintenance and repair funding
- Lack of adequate funding for operational personnel
- Inability to replace old facilities (average over 40 years old)

FINANCING INFORMATION:

Sources of funds for the operation, maintenance, and repair of armories and for leased space is:

	Dollars in Thousands	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
General funds	\$3,433	\$4,610
Special funds	64	52
Federal funds	<u>364</u>	<u>1,163</u>
TOTAL	\$3,861	\$5,825

The department aggressively sought and was partially successful in acquiring additional federal funding to maintain our facilities. Much of this was in the form of money which had to be matched and was targeted at major repair work. The state matching funds were predominantly CAPRA and Asset Preservation dollars.

BUDGET ISSUES:

The funding in this activity must pay for all operational, maintenance, and repair costs for the armories. These costs include utilities, personnel costs, cleaning equipment and supplies, minor maintenance and repair, and various property costs. The cost of department leased space is also paid from this activity.

We expect continuing increases in salaries, utilities, and supply costs to further erode our ability to maintain and repair these facilities. The department continues to seek ways to leverage dwindling resources.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT
Program: MAINT-TRAINING FACILITIES
Activity: ARMORY MAINTENANCE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,125	2,108	2,319	2,386	2,386	2,450	2,450	409	9.2%
OPERATING EXPENSES	6,902	4,169	8,246	8,204	9,204	8,203	9,203	5,992	48.3%
NON-CASH TRANSACTIONS	4	0	0	0	0	0	0	0	
SUBTOTAL STATE OPERATIONS	9,031	6,277	10,565	10,590	11,590	10,653	11,653	6,401	38.0%
CAPITAL OUTLAY	148	0	13,027	13,000	13,000	13,000	13,000	12,973	99.6%
LOCAL ASSISTANCE	25	0	0	0	0	0	0	0	
Total Expenditures	9,204	6,277	23,592	23,590	24,590	23,653	24,653	19,374	64.9%

<u>CHANGE ITEMS:</u>	<u>FUND</u>			
(B) FACILITIES MAINTENANCE	GEN			1,000
Total Change Items				1,000

<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	3,940	3,851	5,071	4,061	5,061	4,121	5,121		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	73	65	51	52	52	52	52		
FEDERAL	5,191	2,361	18,470	19,477	19,477	19,480	19,480		
Total Financing	9,204	6,277	23,592	23,590	24,590	23,653	24,653		

<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	9	74	120	20	20	20	20		
FEDERAL	10,406	4,867	28,466	28,466	28,466	28,466	28,466		
Total Revenues Collected	10,415	4,941	28,586	28,486	28,486	28,486	28,486		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT
Program: MAINT-TRAINING FACILITIES
Activity: ARMORY MAINTENANCE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	41.5	41.4	41.4	41.4	41.4	41.4	41.4
PART-TIME, SEASONAL, LABOR SER	14.5	13.3	13.3	13.3	13.3	13.3	13.3
Total Full-Time Equivalent	56.0	54.7	54.7	54.7	54.7	54.7	54.7

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Military Affairs, Department of
PROGRAM: Maint-Training Facilities
ACTIVITY:

ITEM TITLE: Facilities Maintenance

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,000	\$1,000	\$1,000	\$1,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in facility maintenance funding for the Department of Military Affairs to help protect the state's investment in military facilities. This recommendation is part of a state wide, multi-agency initiative to reduce facility repair and replacement needs by approximately 5% in each agency.

RATIONALE:

State facilities have suffered from a lack of funding for facility maintenance and repair. This fact was noted in the legislative auditor report, "State Building Maintenance, February 1998, A Program Evaluation Report". It is also evidenced by the increasing levels of this department's backlogged maintenance documented at \$ 18,633,806 in F.Y. 1998, and \$19,860,103 in F.Y. 1999, despite investment of CAPRA and Asset Preservation funds.

The problem consists of:

- Lack of adequate facility maintenance funding. Maintenance and repair must be completed when scheduled or as needs arise, not when funding is available. Ignoring these problems only multiplies the amount of funding needed to correct problems. Building Owners and Managers Association (BOMA) 1998 costs for comparable work is over \$4.16 per square foot.
- Lack of adequate FTE support requires use of scarce maintenance dollars to perform tasks no longer performed by existing employees. Additionally, many tasks are left undone and facilities suffer. The FTE issue is addressed in a separate request for a base increase in operational costs.
- Aging facilities require more maintenance. The average age of department armories is 35.3 years. We do not anticipate any federal funding for replacement of facilities in the near future.

FINANCING:

Funding will be used to perform: preventative, scheduled, unscheduled, and backlog maintenance on state owned and/or supported facilities. Funding for maintenance and repair has been:

	<u>F.Y. 1996-97</u>	<u>F.Y. 1998-99</u>
Base	\$772	\$866
CAPRA	1,050	1,600
One-time Appropriation	-0-	870
Capital Budget	400	880
Asset Preservation	500	250
Federal Funds	1,083	1,600

OUTCOMES:

By renewing the building components on a routine basis, the citizens of the state will have well-maintained, technologically up-to-date buildings that meet the requirements of the activities taking place in them.

This funding would protect the state's investment in facilities by replacing major components on a timely basis, performing routine scheduled maintenance to prevent catastrophic failures, and reduce the current backlog of facility maintenance.

2000-01 Biennial Budget

BUDGET ACTIVITY: Air Base Maint-Twin Cities
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY PROFILE:

This activity exists to support the operational and facility needs of the 133rd Air Wing, Minnesota Air National Guard located at the Twin Cities Airbase. The mission of the 133rd is to provide the nation with a wing of 8 C130H model transport aircraft, ready for immediate deployment for state, national, or international emergencies.

Facilities supported represent:

- 421,524 Square feet
- 36 separate structures

Operational and maintenance expenses include:

- Heating and air-conditioning
- Electrical service
- Water and sewer
- Roads, grounds, and airfield maintenance
- Janitorial services
- Runway use costs
- Base security
- Employee salary and benefit costs
- Minor construction and repair
- Employee safety equipment and training
- Supplies and materials
- Service contracts
- Waste hauling

STRATEGIES AND PERFORMANCE:

The 133rd participated in several missions during the state-wide floods of 1997 providing water pumping equipment and personnel and air-lifting equipment and sand bags to those areas hit by the flood.

FINANCING INFORMATION:

The federal government provides for 100% of the costs for base security with a combination of federally reimbursed state employee and military persons. The rest of the costs listed above are funded through a cooperative agreement with the federal government whereby they provide 75% and the state must provide 25% of those costs. Funding for this activity over the last biennium was:

Dollars in Thousands		
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
General funds	\$364	\$346
Federal funds	<u>933</u>	<u>913</u>
TOTAL	\$1,297	\$1,257

BUDGET ISSUES:

This activity struggles to find the state funds to match the federal funds provided as the overall costs continue to increase. To the extent that it can, the department provides funds which are matched 3 to 1 with federal funds. Continuing escalation of personnel, utility, and supplies costs will continue to erode the ability of the 133rd to properly maintain their facilities.

The Air National Guard also aggressively pursues additional federal funds and missions which provide added resources.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT
Program: MAINT-TRAINING FACILITIES
Activity: AIR BASE MAINT-TWIN CITIES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,093	1,143	1,143	1,274	1,274	1,310	1,310	298	13.0%
OPERATING EXPENSES	686	858	645	641	641	641	641	(221)	-14.7%
NON-CASH TRANSACTIONS	35	0	0	0	0	0	0	0	
SUBTOTAL STATE OPERATIONS	1,814	2,001	1,788	1,915	1,915	1,951	1,951	77	2.0%
Total Expenditures	1,814	2,001	1,788	1,915	1,915	1,951	1,951	77	2.0%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	308	366	328	353	353	359	359		
STATUTORY APPROPRIATIONS:									
GENERAL	6	0	0	0	0	0	0		
FEDERAL	1,500	1,635	1,460	1,562	1,562	1,592	1,592		
Total Financing	1,814	2,001	1,788	1,915	1,915	1,951	1,951		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	10	0	0	0	0	0	0		
FEDERAL	0	3,347	3,151	3,330	3,330	3,418	3,418		
Total Revenues Collected	10	3,347	3,151	3,330	3,330	3,418	3,418		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	27.1	27.3	27.3	27.3	27.3	27.3	27.3		
PART-TIME, SEASONAL, LABOR SER	0.3	0.9	0.9	0.9	0.9	0.9	0.9		
OVERTIME PAY	0.6	0.4	0.4	0.4	0.4	0.4	0.4		
Total Full-Time Equivalent	28.0	28.6	28.6	28.6	28.6	28.6	28.6		

2000-01 Biennial Budget

BUDGET ACTIVITY: Air Base Maint-Duluth
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY PROFILE:

This activity supports the operational and facility needs of the 148th Fighter Group, Minnesota Air National Guard located in Duluth, MN. The 148th provides national and international fighter support with a wing of 19 F16C fighter jets.

Facilities supported represent:

- 470,593 Square feet
- 35 separate structures

Operational and maintenance expenses include:

- Heating and air-conditioning
- Electrical service
- Water and sewer
- Roads, grounds, and airfield maintenance
- Janitorial services
- Runway use costs
- Base Security
- Fire Fighting
- Employee salary and benefit costs

STRATEGIES AND PERFORMANCE:

This activity struggles to find the matching state funds as the overall costs continue to increase. To the extent that it can, the department provides funds which are matched in turn by 3 times the amount in federal funds. The Air National Guard also aggressively pursues additional federal funds and additional missions which provide added resources. The Air National Guard at Duluth provides an economic impact to the area of over \$39.9 million per year.

FINANCING INFORMATION:

The federal government provides for 100% of the costs for base security with a combination of federally reimbursed state employees and military persons. The federal government also pays 100% of the costs for fire fighting services. The rest of the costs listed above are funded through a cooperative agreement with the federal government whereby they provide 75% and the state funds provides 25% of those costs. Funding for this activity is provided by:

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
General funds	\$377	\$356
Federal funds	<u>2,849</u>	<u>2,610</u>
TOTAL	\$3,226	\$2,966

BUDGET ISSUES:

The continuing struggle at this base is to cope with the increases in utility, personnel, and supplies costs. The department attempts to find the resources to provide the match necessary to acquire additional federal funding.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT
Program: MAINT-TRAINING FACILITIES
Activity: AIR BASE MAINT-DULUTH

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,338	2,501	2,326	2,397	2,397	2,453	2,453	23	.5%
OPERATING EXPENSES	684	703	640	639	639	646	646	(58)	-4.3%
NON-CASH TRANSACTIONS	32	0	0	0	0	0	0	0	
SUBTOTAL STATE OPERATIONS	3,054	3,204	2,966	3,036	3,036	3,099	3,099	(35)	-.6%
Total Expenditures	3,054	3,204	2,966	3,036	3,036	3,099	3,099	(35)	-.6%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	322	372	356	367	367	373	373		
STATUTORY APPROPRIATIONS:									
FEDERAL	2,732	2,832	2,610	2,669	2,669	2,726	2,726		
Total Financing	3,054	3,204	2,966	3,036	3,036	3,099	3,099		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
FEDERAL	4,331	1,214	1,022	1,007	1,007	1,007	1,007		
Total Revenues Collected	4,331	1,214	1,022	1,007	1,007	1,007	1,007		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	57.7	58.7	58.7	58.7	58.7	58.7	58.7		
PART-TIME, SEASONAL, LABOR SER	1.9	1.3	1.3	1.3	1.3	1.3	1.3		
OVERTIME PAY	0.6	0.6	0.6	0.6	0.6	0.6	0.6		
Total Full-Time Equivalent	60.2	60.6	60.6	60.6	60.6	60.6	60.6		

2000-01 Biennial Budget

PROGRAM: General Support

AGENCY: Military Affairs, Department of

PROGRAM PROFILE:

The General Support budget program provides the leadership, and administrative and technical support for the department. It also provides the support for members of the National Guard called to State Active Duty by the governor. It includes the operating costs for the department headquarters in St. Paul. There are 2 activities within this program: 1) Administrative Services; and 2) Auxiliary Services.

STRATEGIES AND PERFORMANCE:

The Department of Military Affairs has continued to downsize in most areas. In order to continue to provide the necessary services, we have relied upon employee training, investments in automation, and continue to leverage resources with the federal portions of the Minnesota National Guard.

FINANCING INFORMATION:

This program is funded predominantly through the General Fund. Some special revenue is generated through a cost sharing arrangement with the Minnesota State Armory Building Commission for personnel services.

BUDGET ISSUES:

The department continues to make strategic changes based on funding levels. The increased reliance upon the military forces of the National Guard creates additional workloads for current staff.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget and a biennial increase of \$70,000 to provide additional support for the military fund allowances for necessary military expenses for all Minnesota National Guard organizations.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
ADMINISTRATIVE SERVICES	1,510	1,508	1,634	1,645	1,680	1,697	1,732	270	8.6%
AUXILIARY SERVICES	85	42	75	75	75	75	75	33	28.2%
STARBASE MINNESOTA	198	226	230	230	230	230	230	4	.9%
GUARD OUR YOUTH	0	278	522	0	0	0	0	(800)	-100.0%
SOFTSKILLS TRAINING	0	6	94	0	0	0	0	(100)	-100.0%
Total Expenditures	1,793	2,060	2,555	1,950	1,985	2,002	2,037	(593)	-12.8%

CHANGE ITEMS:	FUND			
(B) NATIONAL GUARD UNIT FUND	GEN			35
Total Change Items				35

FINANCING BY FUND:				
DIRECT APPROPRIATIONS:				
GENERAL	1,491	1,775	2,226	1,620
				1,655
				1,672
				1,707
STATUTORY APPROPRIATIONS:				
SPECIAL REVENUE	104	59	99	100
FEDERAL	198	226	230	230
				230
				230
Total Financing	1,793	2,060	2,555	1,950
				1,985
				2,002
				2,037

FTE BY EMPLOYMENT TYPE:				
FULL TIME	22.5	27.0	29.5	22.5
PART-TIME, SEASONAL, LABOR SER	0.6	0.5	0.5	0.5
				22.5
				0.5
Total Full-Time Equivalent	23.1	27.5	30.0	23.0
				23.0
				23.0
				23.0

2000-01 Biennial Budget

BUDGET ACTIVITY: Administrative Services
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY PROFILE:

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:

- Strategic planning
- Administration and training
- Facility maintenance and management
- Acquisition of funding for new construction
- Personnel and recruiting
- Military operational readiness

This activity is supported by 21 state employees that provide management and clerical support to the department headquarters and National Guard units. Some of the administrative and management services provided by these employees include:

- Senior leadership and management
- Budget and accounting functions
- Fiscal management of the state/federal cooperative agreement
- Internal audit and management controls
- Payroll and logistical support to personnel called to state active duty
- Employee support services for our 300 state employees
- Processing payments for departmental operations

The remaining employees in the department headquarters are federal employees who support the military activities of the Army and Air National Guard.

STRATEGIES AND PERFORMANCE:

To deal with general reductions in employee complements, agency human resource persons have begun to provide on-site employee benefit and payroll services, and are often included in employee training courses to provide information on

programs and benefits. It is hoped this investment of time up-front will help to reduce the time consuming problem resolution.

We partner with federal personnel to provide telecommunication, computer, network connectivity, mail room, and printing services for the department. Training is also provided through partnerships with the Army and Air National Guard in such areas as total quality management and computer hardware and software. The department has also developed an employee sharing partnership with the Minnesota State Armory Building Commission to reduce personnel costs for both entities.

Department personnel work closely with the National Guard Bureau, the congressional delegations, and local governments to acquire funding for new training facilities.

FINANCING INFORMATION:

Revenue generated in this activity is payments received from the Minnesota State Armory Building Commission for services provided by the state to that commission.

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
General funds	1,496	1,605
Special funds	<u>17</u>	<u>24</u>
Total	1,513	1,629

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT
Program: GENERAL SUPPORT
Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	1,098	1,113	1,166	1,179	1,179	1,214	1,214	114	5.0%
OPERATING EXPENSES	362	343	416	414	414	431	431	86	11.3%
SUBTOTAL STATE OPERATIONS	1,460	1,456	1,582	1,593	1,593	1,645	1,645	200	6.6%
PAYMENTS TO INDIVIDUALS	1	1	1	1	1	1	1	0	.0%
LOCAL ASSISTANCE	49	51	51	51	86	51	86	70	68.6%
Total Expenditures	1,510	1,508	1,634	1,645	1,680	1,697	1,732	270	8.6%
CHANGE ITEMS:	FUND								
(B) NATIONAL GUARD UNIT FUND	GEN				35		35		
Total Change Items					35		35		
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	1,491	1,491	1,610	1,620	1,655	1,672	1,707		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	19	17	24	25	25	25	25		
Total Financing	1,510	1,508	1,634	1,645	1,680	1,697	1,732		
REVENUE COLLECTED:									
DEDICATED									
SPECIAL REVENUE	0	361	323	352	352	354	354		
NONDEDICATED									
GENERAL	18	15	7	7	7	7	7		
Total Revenues Collected	18	376	330	359	359	361	361		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT
Program: GENERAL SUPPORT
Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	22.5	22.5	22.5	22.5	22.5	22.5	22.5
PART-TIME, SEASONAL, LABOR SER	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Total Full-Time Equivalent	23.1	23.0	23.0	23.0	23.0	23.0	23.0

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Military Affairs, Department of
PROGRAM: General Support
ACTIVITY: Administrative Services

ITEM TITLE: Military Fund Allowances

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: (\$000s)				
General Fund				
- State Operations	\$35	\$35	\$35	\$35
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u>X</u> No <u> </u>				
If yes, statutes(s) affected: M.S. 192.49, Subd 3				
<input type="checkbox"/> New Activity	<input checked="" type="checkbox"/> Supplemental Funding	<input type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends an additional \$70,000 be added to the department's biennial base funding for necessary military expenses of all Minnesota National Guard organizations.

RATIONALE:

M.S. 192.49, subd.3 authorizes allowances to all National Guard organizations "for necessary military expenses." Some of these necessary expenses include but are not limited to, postage, office supplies, telecommunications equipment, training aids, small awards, and recruiting expenses. The basic allowance amount (for unit/detachment size elements) of \$200 per year was established in 1947 and was increased to its current annual amount of \$300 in 1965. This proposal increases unit annual allowances to \$600. Allowances for battalion level organizations and higher will also increase proportionately and are based on how many subordinate unit they have assigned. The allowances for the major headquarters are being increased by less than 15% or not changed at all.

These allowances have not been increased since in 1965. Cost have risen significantly since 1965. Automation has been a great time saver and allows those who are familiar with computers to compete much more work with fewer personnel assets. Automation does, however, generate additional costs (software, print cartridges, small peripherals, etc.). Before the end of the draft in 1975, recruiting was not an issue in the National Guard. Little or no funds were needed to attract new members. Today, the federal government pays for most recruiting expenses however, on occasion, there are local expenses incurred that are not eligible for federal payments.

The utilization of and accounting for these funds are directed in Minnesota National Guard Regulations and subject to internal audit by member of The Adjutant Generals' staff.

FINANCING:

The current annual amount expended for military allowances is \$52,300 (\$104,600 biennium). This initiative requests an additional \$35,000 each year (\$70,000 biennium). The language in the proposed change to M.S. 192.49, subd. 3., also makes payment of the allowances to units permissive (may would replace shall) depending on their need but not to exceed the annual amount authorized by that statute. Proposed increases cannot be funded within the current base for that budget program.

OUTCOMES:

Unit administrative and training personnel will be able to purchase a few of those small items that make their day to day work easier. Answering machines, cordless phones and other modern telecommunications equipment improves customer service and employee satisfaction. Unit recruiters will be able to pay expenses associated with local recruiting events. Increased availability of dollars to support unit and organizational administrative expenses will be welcome at all locations. These funds supplement funds provided by the federal government for unit administration.

2000-01 Biennial Budget

BUDGET ACTIVITY: Auxiliary Services
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY PROFILE:

This activity is used as a “pass through” for funds resulting from sale of closed armories under the provisions of M.S. 193.36.

STRATEGIES AND PERFORMANCE:

There are no specific issues associated with this activity. We do not anticipate closing any facilities.

FINANCING INFORMATION:

There are no funds associated with this activity except for the “pass through” funds identified.

BUDGET ISSUES:

None.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Activity: AUXILIARY SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
CAPITAL OUTLAY	85	42	75	75	75	75	75	33	28.2%
Total Expenditures	85	42	75	75	75	75	75	33	28.2%
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	85	42	75	75	75	75	75		
Total Financing	85	42	75	75	75	75	75		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	85	42	75	75	75	75	75		
FEDERAL	2,500	2,901	0	0	0	0	0		
Total Revenues Collected	2,585	2,943	75	75	75	75	75		

2000-01 Biennial Budget

BUDGET ACTIVITY: STARBASE Minnesota
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY PROFILE:

This budget activity exists to provide the pass-through federal funding for the STARBASE program.

STRATEGIES AND PERFORMANCE:

STARBASE, begun in 1993, is an acronym for Science and Technology Academies Reinforcing Basic Aviation and Space Exploration (STARBASE). It is a joint program of the National Guard, area industry, educators and non-profit organizations. The goal of STARBASE is to motivate students in second through 12th grade to "yearn to learn" about mathematics, science and technology by using aerospace education as the motivator. This goal is achieved by introducing the students to aerospace professionals, both civilian and military personnel, who share their experiences and love of science, mathematics and technology and by performing experimental tasks. 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.
- Emphasize teacher training in mathematics, science, and technology.
- Encourage and create partnerships with the education community and industry as well as with local, state, and federal government.
- Create an educational resource center in support of STARBASE Minnesota.
- Develop self-esteem, positive attitudes, goal setting and drug demand reduction skills in students.
- Improve students' problem-solving and decision making skills.

Each year, approximately 2,000 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, Prepare St. Paul; and in Minneapolis: Andersen School, Hamilton, and Olson Middle School.

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.

FINANCING INFORMATION:

This \$202,000 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.

BUDGET ISSUES:

It is possible that at some point federal funding will decline. STARBASE Minnesota enjoys 501.c.3. status from the Internal Revenue Service. Its active board of directors is continually seeking contributions from the private sector in preparation for the possible decline of federal funding. The board of directors has indicated it wishes to expand the program to other areas in the Twin Cities and possibly at other locations in greater Minnesota as additional funding becomes available.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Activity: STARBASE MINNESOTA

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
NON-CASH TRANSACTIONS	23	0	0	0	0	0	0	0	
SUBTOTAL STATE OPERATIONS	23	0	0	0	0	0	0	0	
LOCAL ASSISTANCE	175	226	230	230	230	230	230	4	.9%
Total Expenditures	198	226	230	230	230	230	230	4	.9%
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
FEDERAL	198	226	230	230	230	230	230		
Total Financing	198	226	230	230	230	230	230		

2000-01 Biennial Budget

BUDGET ACTIVITY: Guard Our Youth
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY PROFILE:

The Guard Our Youth pilot program provides National Guard facilities and youth program coordination services. Many communities suffer from a lack of adequate facilities and programs for youth recreation. The National Guard has facilities in 61 communities that can help meet those needs. The program currently exists in 18:

<u>Guard Our Youth Pilot Sites</u>	<u>Served By</u>
Austin - Albert Lea	1 Youth Program Coordinator
Faribault - Northfield - St. Peter	1 Youth Program Coordinator
Cottage Grove - Hastings	1 Youth Program Coordinator
E. St. Paul - St. Paul Cedar St.	Boys & Girls Club contact coordinator
W. St. Paul - Holman Field	Boys & Girls Club contact coordinator
Minneapolis - Brooklyn Park - Anoka	1 Youth Program Coordinator
Hibbing - Chisholm	1 Youth Program Coordinator
Moorhead	1 Youth Program Coordinator
Willmar	1 Youth Program Coordinator

Program providers, using these facilities, offer recreational programs that attract a diverse youth population ranging in age from 8 to 17. Special efforts are made to seek providers who offer programs to "at-risk" youth.

STRATEGIES AND PERFORMANCE:

The goal of this program is to utilize all available hours at National Guard Training and Community Centers (armories) for youth activities. The duties of the coordinators are to:

- Seek local providers of youth recreational programs to utilize the facilities
- Schedule use of facilities
- Be present when programs are conducted and assist providers
- Participate in community youth activity planning
- Conduct recreational programs
- Attend conferences related to serving youth

This pilot program was started in the fall of 1997 when the coordinators were hired; programming began in January 1998. Performance statistics for the first 6 months of the program include:

- 3,406 hours of youth programs conducted in 18 facilities
- 12,629 youth served
- Sites coordinated by the Boys and Girls Club especially attracted a diverse population
- Innovative programs (such as skate boarding, break dancing and nutrition/cooking classes)
- Events that included both at risk youth and law enforcement personnel

FINANCING INFORMATION:

The 1997 legislature appropriated \$800,000 for the biennium. However, since the program did not become fully operational until the 5th month of the biennium, approximately 30% of the F.Y. 1998 funding was carried forward to F.Y. 1999. Estimated expenditures are:

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Funds available	\$400	\$522
Salaries/benefits/travel	208	309
Operating costs	33	96
Administrative costs	37	39
TOTAL COSTS	\$278	\$444
Carry forward	\$122	\$78

There is no revenue associated with this activity.

BUDGET ISSUES:

Funding for this activity is not continued in the next biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Activity: GUARD OUR YOUTH

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	0	162	175	0	0	0	0	(337)	-100.0%
OPERATING EXPENSES	0	98	329	0	0	0	0	(427)	-100.0%
OTHER EXPENSES	0	5	5	0	0	0	0	(10)	-100.0%
SUBTOTAL STATE OPERATIONS	0	265	509	0	0	0	0	(774)	-100.0%
LOCAL ASSISTANCE	0	13	13	0	0	0	0	(26)	-100.0%
Total Expenditures	0	278	522	0	0	0	0	(800)	-100.0%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	0	278	522	0	0	0	0		
Total Financing	0	278	522	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	0.0	4.5	7.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	0.0	4.5	7.0	0.0	0.0	0.0	0.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: Soft Skills
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY PROFILE:

This pilot program provides for the use of facilities at the Camp Ripley Military Reservation by organizations able to provide "soft-skills" training to their clients. Funds are also used to assist those organizations in the conduct of their training. The role of the Department of Military Affairs is to:

- Seek organizations that have or want to develop programs that offer "soft-skills" training for females in transition to the workplace
- Facilitate utilization of Camp Ripley educational and training facilities in a "residential client" setting
- Ensure all provider staff and clients have a meaningful, memorable experience at Camp Ripley

This program serves displaced homemakers and other women in transition from welfare to work. A displaced homemaker is defined as one who's primary means of income has been terminated due to death, divorce, separation or disability – that individual must now find the means to go out and get a job.

The program provides a low cost campus setting for formal instruction and development of those soft skills needed to make that transition from public dependency into the workplace. Specifically, the program provides:

- Transportation to and from Camp Ripley for clients and staff
- All meals and lodging for clients and staff at Camp Ripley
- Stipends for client day-care costs if required
- Payment for certain provider staff and supervision costs
- Payment for formal computer lab instruction when part of a provider's curriculum
- Use of Camp Ripley facilities appropriate for team building and leisure activities

STRATEGIES AND PERFORMANCE:

The department was asked to test this program because of superb state-owned facilities at Camp Ripley. Since Camp Ripley was designated as the state of Minnesota Education and Training Center by the legislature in 1996, the department has aggressively sought to bring more non-military clients there to more fully utilize the investments made in Camp Ripley facilities. These facilities are unique to the state of Minnesota and offer an excellent venue for such training. Non-profit, private sector organizations can conduct their training at Camp for significantly less cost than at other comparable facilities.

At this time, we are working with 2 program providers, one from the St. Paul area, Working Opportunities for Women (WOW) and one from the Mankato area, Life Work Planning Center. WOW concentrates on computer training and soft skills seminars, and Life Work Planning focuses on team building and confidence building activities, a lot of them outdoors. They also do soft skills workshops. WOW has completed 3 weekend sessions, Friday evening through Sunday. These weekends programs are attended by approximately 20 participants and several staff members. WOW has an additional 6 weekends scheduled at Camp Ripley through May 1999. The Life Work Planning Center has completed 2 weekends, Friday through Sunday, to date and has 3 additional weekends scheduled.

The department has recently met with the Commission on the Economic Status of Women to seek their assistance in forming partnership with other providers to fully utilize the dollars appropriated.

FINANCING INFORMATION:

A biennial total of \$100,000 was appropriated to the department for "soft skills" programming through the Omnibus Economic Development Appropriations Bill.

BUDGET ISSUES:

Sufficient funding exists for the remainder of the biennium to conduct the activities currently programmed.

Funding for this activity is not continued in the next biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Activity: SOFTSKILLS TRAINING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	0	6	94	0	0	0	0	(100)	-100.0%
SUBTOTAL STATE OPERATIONS	0	6	94	0	0	0	0	(100)	-100.0%
Total Expenditures	0	6	94	0	0	0	0	(100)	-100.0%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	0	6	94	0	0	0	0		
Total Financing	0	6	94	0	0	0	0		

2000-01 Biennial Budget

PROGRAM: Enlistment Incentives

AGENCY: Military Affairs, Department of

PROGRAM PROFILE:

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 in 1993 and in 1996. The tuition reimbursement program has not only helped the Minnesota Army and Air National Guard 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 more practically, they add more value to their state and community if they pursue post secondary education.

Likewise, the bonus programs are intended to help retain current, qualified members of the National Guard to perform their federal, state, and community missions.

STRATEGIES AND PERFORMANCE:

The keystone of the incentives program is the tuition reimbursement program. Statutes allow for up to 75% of the U of M undergraduate rate at the Twin Cities campus for tuition paid at public or private post-secondary educational institutions. Current reimbursement is a per credit rate and can be from 51 to 63% because of current funding restrictions. In F.Y. 1998, nearly 25% (2,318) of our total assigned National Guard members utilized tuition reimbursement. The following tables reflect usage:

F.Y. 1998 Tuition Reimbursement Attendance Patterns by Schools

	<u>Students</u>	<u>Percentage</u>
University of Minnesota	359	16%
State Universities	628	27%
Community & Technical Col-	840	36%
Other*	491	21%
TOTAL	2,318	100%

*Other includes out of state institutions, Minnesota private schools, and other Minnesota schools such as air traffic school, flight training school, beauty schools, real estate schools, etc.

The following tables display the demographics of members:

<u>By Gender</u>	<u>Number</u>	<u>Percentage</u>
Males	1,923	83%
Females	395	17%

<u>By Military Grade</u>	<u>Number</u>	<u>Percentage</u>
Officers	131	5%
Warrant Officer	21	1%
Enlisted	2,166	94%

<u>By Race</u>	<u>Number</u>	<u>Percentage</u>
Caucasian	2,216	96%
Black	38	1%
Asian	29	1%
American Indian	8	(1%)
Other	27	1%

Bonuses are also paid to some members:

- \$1,000 reenlistment bonus for eligible Minnesota National Guard members who extend their enlistments.
- \$500 enlistment bonus for qualified individuals who enlist in the Minnesota National Guard.

The enlistment and reenlistment bonuses are designed to attract and to encourage quality members to remain in the National Guard after their enlistments have expired.

The following table shows the personnel strengths of the Army National Guard over the past 4 years. The numbers show a positive correlation between the bonus programs and the personnel strength. The table shows the 2 years prior to the availability of bonuses and the subsequent 2 years when they were offered:

	<u>Total</u>	<u>Male</u>	<u>Female</u>	<u>Minority Male</u>	<u>Minority Female</u>
FY1995	7,941	7,263	678	258	50
FY1996	7,975	7,253	722	258	53
FY1997	8,354	7,503	851	284	70
FY1998	9,440	8,439	1,001	320	72

Recruiting and retention incentives help ensure that the Minnesota National Guard is able to attract and retain sufficient members to accomplish federal, state, and community missions.

FINANCING INFORMATION: Utilization of tuition reimbursement accounts for approximately 73% of the total expenditures from available appropriations, and beginning 10-1-98, will account for 98%. This is because the bonus program is being suspended due to budget constraints. A change item is being submitted to allow the department to continue to pay the bonuses and to pay up to the 75% of the tuition costs as provided by statute. We continue to believe this is an excellent way to reward the young persons of the National Guard for service to state and nation.

GOVERNOR'S RECOMMENDATION: The Governor recommends the agency's base budget and a \$1.2 million increase in funding for the tuition reimbursement incentive.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT

Program: ENLISTMENT INCENTIVES

Activity: ENLISTMENT INCENTIVES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,016	558	349	40	640	43	643	376	41.5%
SUBTOTAL STATE OPERATIONS	1,016	558	349	40	640	43	643	376	41.5%
PAYMENTS TO INDIVIDUALS	1,886	2,286	2,321	2,314	2,314	2,312	2,312	19	.4%
Total Expenditures	2,902	2,844	2,670	2,354	2,954	2,355	2,955	395	7.2%
<u>CHANGE ITEMS:</u>									
(B) NATIONAL GUARD INCENTIVES	FUND GEN				600		600		
Total Change Items					600		600		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2,902	2,844	2,670	2,354	2,954	2,355	2,955		
Total Financing	2,902	2,844	2,670	2,354	2,954	2,355	2,955		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	1.0	0.9	0.9	0.9	0.9	0.9	0.9		
PART-TIME, SEASONAL, LABOR SER	0.2	0.2	0.2	0.2	0.2	0.2	0.2		
Total Full-Time Equivalent	1.2	1.1	1.1	1.1	1.1	1.1	1.1		

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Military Affairs, Department of
PROGRAM: Enlistment Incentives
ACTIVITY:

ITEM TITLE: Enlistment Incentives

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$600	\$600	\$600	\$600
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ___ No <u>X</u>				
If yes, statutes(s) affected:				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$1.2 million for the department's biennial base funding for the tuition reimbursement incentive.

RATIONALE:

The National Guard incentives program is used to help attract and retain soldiers and airmen qualified to perform their federal, state, and local missions. It has been an excellent tool in enabling the Minnesota National Guard to maintain its personnel strength and to attract and retain women and minority members.

If this appropriation is not increased, the department anticipates an erosion in personnel strength coupled with increased difficulties in attracting and retaining female and minority members. Personnel strength is the prime determinant in federal funding for most programs associated with the National Guard. Loss of personnel strength reduces funding and also negatively impacts the ability of its members to perform their federal, state, and local missions.

The department competes for National Guard members not only with other employers and programs within the state, it also competes with bordering states. Currently both Wisconsin and North Dakota offer tuition assistance sufficient to offer its members 100% reimbursement when coupled with other programs.

FINANCING:

M.S. 192.501, Subd 2, allows the adjutant general to pay up to 75% of the current lower division tuition costs at the twin cities campus of the University of Minnesota. Due to budgetary constraints, the department currently pays only about 62% of the lower division rate. This increase would allow the department to pay nearer the 75% rate allowed under statute.

The department currently pays enlistment and reenlistment bonuses. These programs are also successful in recruiting and retention efforts. The department has, however, terminated both of these programs as of 10-1-98 because it cannot fund them and continue to pay the tuition assistance portion of the incentives program. Soldiers who receive the tuition assistance do not qualify for enlistment and reenlistment bonuses.

OUTCOMES:

Funding at the requested levels will help the National Guard to meet its personnel strength objectives. These will be directly measurable by comparing year end strength levels. The department also closely monitors and reports on its female and minority participation rates. We would expect these to continue to rise as reported in the budget narrative.

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2000-01 Biennial Budget

PROGRAM: Emergency Services

AGENCY: Military Affairs, Department of

PROGRAM PROFILE:

Statutes require that the National Guard be available for state active duty when the governor orders the Guard to support local law enforcement authorities in time of civil disorder, natural disaster or other emergencies (M.S. 190.02). This program serves the Governor, the Department of Public Safety, local law enforcement agencies, and the citizens of the state in times of emergencies.

STRATEGIES AND PERFORMANCE:

At the direction of the governor, during F.Y. 1998-99, the Minnesota National Guard completed the following missions:

	<u>Expenditures</u>	<u>Federal Reimbursement</u>
Flood - Miscellaneous Counties	\$5,323,834	5,309,555
Storm - Big Lake and Monticello	29,307	
Spring Flood Preparation	5,273	
Tornado - St. Peter and Comfrey	272,173	267,355
Storm - Newport	24,562	
Generator Support - Millville	1,251	
Search for Missing Child - Hallock	24,476	
Search for Missing Woman - Beltrami	*	
Search for Evidence - Hallock	*	
*Totals not yet compiled		

The flood mission of 1997 was the largest mobilization of the Minnesota National Guard since the Korean Conflict and the largest state mobilization ever.

Strength	4,383 Army and Air Guard members
Total Mandays	28,037
Equipment Used	3 - UH-1 Helicopters
	2 - CH47 Helicopters (Iowa)
	250 Trucks
	93 Generators
	69 Water Pumps
Citizens Rescued	In excess of 6,300

National Guard assistance to local authorities is always in response to unplanned, emergency situations. 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.

The department is able to partner with and leverage all of the resources of the Army and Air National Guard. The training and equipping of the National Guard is funded totally by federal dollars. Over 1 billion 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, and repair or replacement if damaged during 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 governor's call on many occasions to assist and protect citizens of Minnesota. Post-operation surveys recently completed by supported agencies measuring customer satisfaction with National Guard assistance showed a average rating of 4.9 on a range of 1 to 5, 5 being the highest.

FINANCING INFORMATION:

The state is required to pay personnel costs and logistical support costs for state active duty operations. The funds are paid through this budget program (M.S. 192.49, Subd. 1; M.S. 192.51, Subd 2; and M.S. 192.52).

BUDGET ISSUES:

The Department of Military receives a biennial appropriation of \$150,000. If these funds are exhausted, the department requests additional funds under M.S. 192.52. When emergencies are declared federal disasters, the department applies for federal reimbursement on behalf of the state. Costs are reimbursed at varying levels (75% to 100%) and when received are transferred to the state's General Fund.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY AFFAIRS DEPT

Program: EMERGENCY SERVICES

Activity: MILITARY SUPPORT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	3,794	365	146	75	75	75	75	(361)	-70.6%
OPERATING EXPENSES	1,738	135	15	0	0	0	0	(150)	-100.0%
SUBTOTAL STATE OPERATIONS	5,532	500	161	75	75	75	75	(511)	-77.3%
Total Expenditures	5,532	500	161	75	75	75	75	(511)	-77.3%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	70	149	1	75	75	75	75		
OPEN APPROPRIATIONS:									
GENERAL	2,962	351	160	0	0	0	0		
FEDERAL	2,500	0	0	0	0	0	0		
Total Financing	5,532	500	161	75	75	75	75		
<u>FTE BY EMPLOYMENT TYPE:</u>									
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	0.1	0.0	0.0	0.0	0.0	0.0	0.0		

2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Veterans Affairs, Department of

AGENCY MISSION AND VISION:

The mission of the Minnesota Department of Veterans Affairs (MDVA) is to serve Minnesota veterans, their dependents and survivors, in securing benefits provided by federal and state laws.

The department's vision is to assist all eligible veterans and dependents to ensure that:

- Veterans and their dependents will not live in poverty.
- Veterans and their dependents in temporary hardship will have their basic needs met and will regain their independence.
- Veterans will be able to provide a stable environment for their children.
- Veterans will have the skills for lifelong learning and good citizenship.

KEY SERVICE STRATEGIES:

Providing assistance to all veterans and dependents is the goal of the department. This is accomplished by the maintenance of a strong network of service providers that are coordinated and educated by the department. These providers include veterans service organizations, county veterans service officers and the United States Department of Veterans Affairs.

OPERATING ENVIRONMENT:

The MDVA and Minnesota's veteran population can be severely impacted by changes in federal government benefit programs and military structure. Nearly \$800 million in federal funds, including cash payments and medical services, are received by Minnesota veterans and family members each year. Reductions in federal benefits (primarily medical services) can effect thousands of persons who:

- Become disenfranchised with government.

- Have a catastrophic health episode.
- Become homeless.

Changes in the number of active military personal can impact demand for service:

- Downsizing increases the number of persons returning to the state without employment or adequate resources available to sustain their family.
- New conflicts increase the number of veterans we serve.
- New medical problems (i.e. Persian Gulf veterans and multiple chemical sensitivities) that need to be addressed by the department.

ORGANIZATION/PROGRAM STRUCTURE:

COMMISSIONER OFFICE	3.0 fte
Benefits Program	14.0 fte
Services Programs	15.0 fte
Department Operations Program	10.5 fte
6/30/98 TOTAL FTEs 42.5	

GOVERNOR'S RECOMMENDATION:

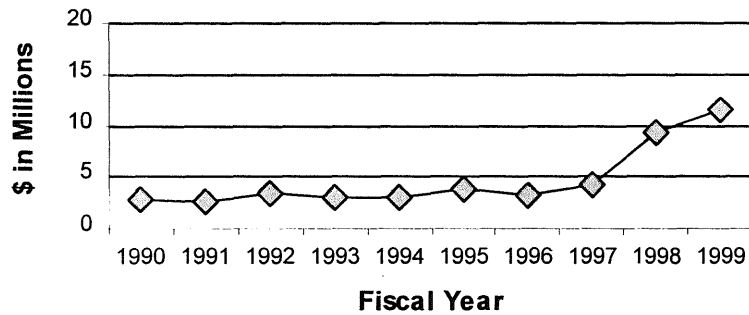
The Governor recommends the agency's base budget and an increase in Guardianship Activities as well as for Agency Head Salary Adjustment. In support of the Minnesota veterans who served in the Persian Gulf War, the Governor recommends extending the Persian Gulf Veterans Bonus program until 6-30-2001. The Governor has also included funding to improve this agency's technology infrastructure in the Small Agency Infrastructure Initiative under the Minnesota Office of Technology.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Veterans Affairs, Department of
(Continuation)

TRENDS AND PERSPECTIVE:

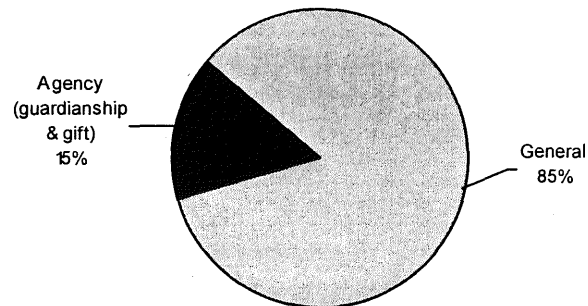
Total Budget - All Funds



In 1998 \$17 million was appropriated for Persian Gulf bonuses and \$500,000 to administer those payments. The increased spending in 1998 and 1999 reflect those payments being made. Does not include guardianship client funds.

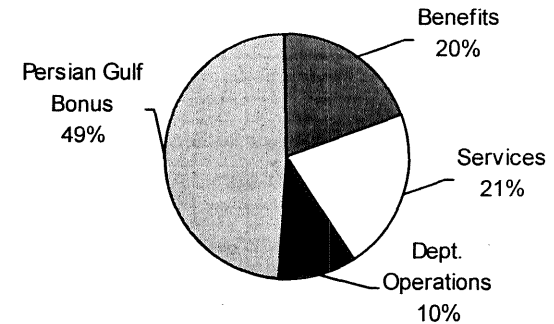
1998-99 Expenditures by Fund

Total \$24.6 Million



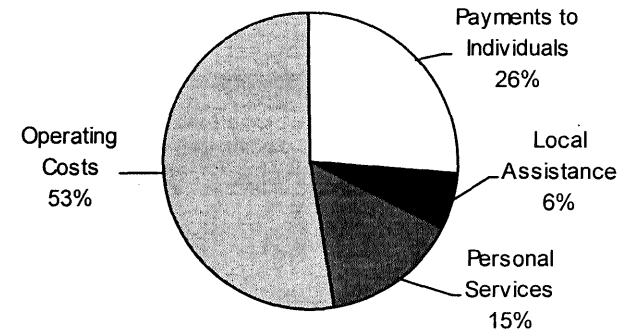
1998-99 Expenditures by Program

Total \$24.6 Million



1998-99 Expenditures by Category

Total \$24.6 Million



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
BENEFITS	1,942	7,521	9,398	2,135	3,776	2,141	4,090	(9,053)	-53.5%
SERVICES	2,483	2,395	2,743	2,722	2,850	2,780	2,909	621	12.1%
DEPARTMENTAL OPERATIONS	1,506	1,073	1,427	1,351	1,433	1,360	1,445	378	15.1%
Total Expenditures	5,931	10,989	13,568	6,208	8,059	6,281	8,444	(8,054)	-32.8%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	3,782	9,266	11,502	4,136	5,987	4,206	6,369
FEDERAL	344	0	0	0	0	0	0
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	73	2	60	68	68	68	68
AGENCY	1,731	1,721	2,000	2,000	2,000	2,000	2,000
GIFT	1	0	6	4	4	7	7
Total Financing	5,931	10,989	13,568	6,208	8,059	6,281	8,444

FTE BY EMPLOYMENT TYPE:							
FULL TIME	38.6	43.1	43.7	41.0	43.0	41.0	43.0
PART-TIME, SEASONAL, LABOR SER	0.8	1.8	1.2	0.0	0.0	0.0	0.0
OVERTIME PAY	0.0	0.3	0.3	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	39.4	45.2	45.2	41.0	43.0	41.0	43.0

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Veterans Affairs, Department of

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$4,324	\$4,324	\$8,648
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(250)	(250)	(500)
Documented Rent Increase	7	12	19
Salary & Benefits	49	114	163
Statewide Administrative Systems	<u>6</u>	<u>6</u>	<u>12</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$4,136	\$4,206	\$8,342
<u>CHANGE ITEMS</u>			
Guardianship Activity Increase	128	129	257
Agency Head Salary Adjustment	82	85	167
Persian Gulf Bonus Extension	<u>1,641</u>	<u>1,949</u>	<u>3,590</u>
GOVERNOR'S RECOMMENDATION	\$5,987	\$6,369	\$12,356

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget and an increase in Guardianship Activities as well as an increase for Agency Head Salary Adjustment. In support of the Minnesota veterans who served in the Persian Gulf War, the Governor recommends extending the Persian Gulf Veterans Bonus program until 6-30-2001. The Governor has also included funding to improve this agency's technology infrastructure in the Small Agency Infrastructure Initiative in the Minnesota Office of Technology's budget request.

Brief Explanation of Budget Decisions:

- The base level continues current activities within existing funding. The one-time spending reduction removes the Bonus Administration appropriation. Increases are included for salary and benefits, documented rent increases, and for statewide system costs.
- *Guardianship Activity:* Increased staffing for the guardianship program to allow the department to serve more individuals who otherwise may end up being institutionalized at greater cost to the state.
- *Agency Head Salary Adjustment:* An increase to continue services at the current level.
- *Persian Gulf Bonus Extension:* Extends application period until 6-30-2001.

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**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Veterans Affairs, Department of

REVENUE SOURCES:

DEDICATED RECEIPTS:

Dollars in Thousands					
	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Special Revenue	\$21	\$25	\$35	\$35	\$35

Donations and deposits to the Cemetary Development and Maintenance Account were approximately \$25,000 (burial revenue and non-designated donations) last fiscal year. Contributions from Veterans Service Organizations and individuals for designated items equaled an additional \$12,000. Examples of designated items include: trees, pew benches, cemetery sign project.

NON-DEDICATED RECEIPTS:

Dollars in Thousands					
	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Cambridge Deposit Fund	\$35	\$38	\$50	\$50	\$50

This represents guardianship fees from client accounts. These fees are charged to certain guardianship clientele as allowed by District Courts or other jurisdictions. The commissioner is the appointed financial guardian/conservator/payee of incompetent veterans and their dependents. Clients of the guardianship program have income totaling \$1,500,000 to \$2,000,000 per years, with interest totaling an additional \$125,000. These veterans receive their income from various sources (such as Social Security Administration and United States 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 is paid directly to the Cambridge Special Account on a monthly basis.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
DEPARTMENTAL EARNINGS:									
CAMBRIDGE DEPOSIT FUND	35	38	50	50	50	50	50	12	13.6%
Total Non-Dedicated Receipts	35	38	50	50	50	50	50	12	13.6%
DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS:									
SPECIAL REVENUE	21	25	35	35	35	35	35	10	16.7%
GRANTS:									
FEDERAL	200	0	0	0	0	0	0	0	
OTHER REVENUES:									
SPECIAL REVENUE	27	21	32	32	32	32	32	11	20.8%
AGENCY	126	123	158	158	158	158	158	35	12.5%
GIFT	1	6	4	4	4	4	4	(2)	-20.0%
OTHER SOURCES:									
GENERAL	0	100	0	0	0	0	0	(100)	-100.0%
AGENCY	1.603	1.664	2.000	2.000	2.000	2.000	2.000	336	9.2%
Total Dedicated Receipts	1.978	1.939	2.229	2.229	2.229	2.229	2.229	290	7.0%
Agency Total Revenues	2.013	1.977	2.279	2.279	2.279	2.279	2.279	302	7.1%

2000-01 Biennial Budget

PROGRAM: Benefits

AGENCY: Veterans Affairs, Department of

PROGRAM PROFILE:

The Benefits Program provides benefits and services to Minnesota's 450,000 veterans, their dependents and survivors. The benefits program assists this core client group with several grants. The State Soldiers Assistance Program (SSAP) provides:

- Subsistence (food, shelter and utilities)
- Emergency medical
- Dental benefit
- Optical benefits

The Education Grant activity provides assistance to:

- Veterans who have exhausted all federal educational benefits to which they were entitled; and
- Educational assistance to children of veterans who were killed on active duty in the armed forces of the United States.

The Vinland National Center activity provides:

- Rehabilitation services to veterans in their attempts to reintegrate themselves into mainstream society.

The Persian Gulf Bonus activity provides bonus payments to:

- Veterans who served in the theater are eligible for a payment of \$600.
- Those who served elsewhere during the period receive \$300.
- Survivors of those killed in action are provided a bonus payment of \$2,000.

The Homeless Veteran's Initiative provides:

- A comprehensive program of treatment and housing options designed to assist homeless veterans in their struggle to reintegrate themselves back into society.

STRATEGIES AND PERFORMANCE:

State Soldiers Assistance Program recipients are limited by statute to 6 months of benefits unless the applicant is certified as not eligible for other assistance. Eligibility is determined based upon the disability of the applicant and requires that all applicants meet strict financial eligibility standards. Assistance provides a safety net to clients while returning to or seeking employment and assists children to stay in school.

Optical and dental benefits are limited to one exam plus treatment per year.

Emergency medical benefits, limited to one thousand dollars per incident, are provided to those who experience a medical emergency and who lack, or have inadequate, insurance coverage or the financial resources to pay the bills.

FINANCING INFORMATION:

Funding for this program has remained relatively stable with the exception of one time spending for Persian Gulf bonuses.

BUDGET ISSUES:

The department anticipates that the aging of Minnesota's veteran population will increase the demand for programs offered under the State Soldier's Assistance Program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget and the extension of the Persian Gulf Bonus Program application period until 6-30-2001.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT

Program: BENEFITS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
BENEFITS ADMINISTRATION	345	267	350	316	316	322	322	21	3.4%
STATE SOLDIERS ASSISTANCE	1,347	1,197	2,111	1,544	1,544	1,544	1,544	(220)	-6.7%
VINLAND GRANTS	250	275	275	275	275	275	275	0	.0%
PERSIAN GULF BONUS	0	5,782	6,662	0	1,641	0	1,949	(8,854)	-71.2%
Total Expenditures	1,942	7,521	9,398	2,135	3,776	2,141	4,090	(9,053)	-53.5%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) PERSIAN GULF VETERANS BONUS EXTENSION	GEN			1,641	1,949
Total Change Items				1,641	1,949

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	1,942	7,521	9,398	2,135	3,776	2,141	4,090
Total Financing	1,942	7,521	9,398	2,135	3,776	2,141	4,090

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	10.0	12.7	12.7	10.0	12.0	10.0	12.0
PART-TIME, SEASONAL, LABOR SER	0.0	1.2	1.2	0.0	0.0	0.0	0.0
OVERTIME PAY	0.0	0.3	0.3	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	10.0	14.2	14.2	10.0	12.0	10.0	12.0

2000-01 Biennial Budget

BUDGET ACTIVITY: Benefits Administration
PROGRAM: Benefits
AGENCY: Veterans Affairs, Department of

ACTIVITY PROFILE:

This budget activity is responsible for the daily operation of all activities within the Benefits program.

STRATEGIES AND PERFORMANCE:

This activity provides information and assistance to veterans, their dependents and survivors regarding applications for all benefits administered by the activity. This activity is also responsible for referring applicants seeking services not provided by the department to the proper county, state or federal agency that is able to respond appropriately to the inquiry.

Training is provided to County Veterans Service Officers and Secretaries regarding the requirements necessary to receive assistance from the department. This training, which is provided to newly appointed as well as experienced county personnel, has resulted in applications being received faster and with more complete information. The end result of this training effort has been that the department is able to provide the needed assistance in a more timely fashion, when it is needed the most.

FINANCING INFORMATION:

Same level funding is requested.

BUDGET ISSUES:

None.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT
Program: BENEFITS
Activity: BENEFITS ADMINISTRATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	265	265	347	307	307	313	313	8	1.3%
OPERATING EXPENSES	80	2	3	9	9	9	9	13	260.0%
SUBTOTAL STATE OPERATIONS	345	267	350	316	316	322	322	21	3.4%
Total Expenditures	345	267	350	316	316	322	322	21	3.4%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	345	267	350	316	316	322	322		
Total Financing	345	267	350	316	316	322	322		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	10.0	10.0	10.0	10.0	10.0	10.0	10.0		
Total Full-Time Equivalent	10.0	10.0	10.0	10.0	10.0	10.0	10.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: State Soldiers' Assistance
PROGRAM: Benefits
AGENCY: Veterans Affairs, Department of

ACTIVITY PROFILE:

The State Soldiers' Assistance Activity provides emergency financial assistance to veterans, their dependents and survivors. This assistance is provided to aid applicants with:

- Housing
- Food
- Utility payments
- Dental
- Eye care needs
- Emergency medical treatment

Applicants must meet strict program requirements and fall within income and asset guidelines.

To assist homeless veterans, a contract between the Minnesota Assistance Council for Veterans (MACV) and the department has been entered into. Services offered include:

- Referral for drug and alcohol treatment
- Sheltered housing while undergoing treatment and counseling
- Educational assistance and job training
- Money management skills training
- Assistance in obtaining stable housing

Veterans education grants activity provides a one time grant to eligible veterans who have:

- Exhausted all federal educational benefits to which they were entitled
- Attend an approved higher educational institution in Minnesota

War Orphans (children of veterans who were killed while serving on active duty or who died of injury or disease sustained while serving on active duty) are eligible to receive assistance with their educational needs. Eligible applicants may attend

state funded schools, other than the University of Minnesota, tuition free. Assistance is available until applicants attain a bachelor's degree or equivalent

STRATEGIES AND PERFORMANCE:

Temporarily assisting veterans, their dependents and survivors with this "safety net" of services enables them to maintain themselves and their families rather than forcing them to deplete their limited resources and become further dependent upon government to meet their needs of daily living.

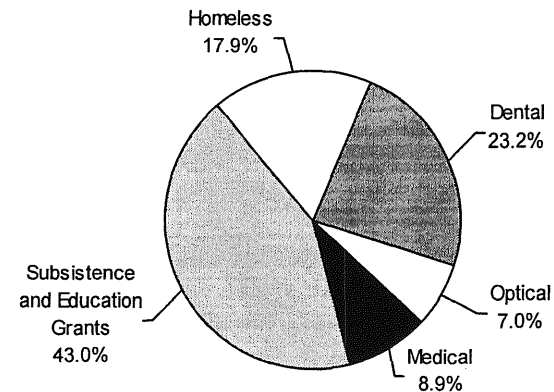
Families with children are assisted in their efforts to provide a stable, supportive environment. Children may receive a clothing allowance which assists in their return to school.

To break the cycle of homelessness, eligible veterans are provided assistance with housing in a structured setting while they are meeting mutually designed goals which will enable them to return to employment and once again become productive members of society.

In F.Y. 1998 approximately 6,000 payments were authorized by the benefits division.

FINANCING INFORMATION:

**State Soldiers Assistance Program
Expenditures**



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT
Program: BENEFITS
Activity: STATE SOLDIERS ASSISTANCE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	5	0	0	0	0	0	0	0	
SUBTOTAL STATE OPERATIONS	5	0	0	0	0	0	0	0	
PAYMENTS TO INDIVIDUALS	1,332	872	1,861	1,294	1,294	1,294	1,294	(145)	-5.3%
LOCAL ASSISTANCE	10	325	250	250	250	250	250	(75)	-13.0%
Total Expenditures	1,347	1,197	2,111	1,544	1,544	1,544	1,544	(220)	-6.7%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	1,347	1,197	2,111	1,544	1,544	1,544	1,544		
Total Financing	1,347	1,197	2,111	1,544	1,544	1,544	1,544		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	0	100	0	0	0	0	0		
Total Revenues Collected	0	100	0	0	0	0	0		

2000-01 Biennial Budget

BUDGET ACTIVITY: Vinland National Center
PROGRAM: Benefits
AGENCY: Veterans Affairs, Department of

ACTIVITY PROFILE:

The Vinland National Center activity provides rehabilitation services to eligible veterans through a contract with the department. The 3 week inpatient program provides a wide range of programs and services aimed at rehabilitating and returning eligible veterans to gainful employment.

Eligible applicants must be:

- Referred to the program by a health care provider, USDVA personnel or a County Veterans Service Officer
- Able to profit from the experience

STRATEGIES AND PERFORMANCE:

The Vinland National Center activity provides rehabilitation services to disabled, disadvantaged veterans who are seeking to return to employment, by overcoming barriers to employment. These barriers may be physical, psychological, emotional or educational - or a combination of all or some. Participants undergo an intensive 3 week inhouse program designed to help them identify and deal with these barriers to employment.

FINANCING INFORMATION:

This activity is funded at \$275,000 each year of the biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT

Program: BENEFITS

Activity: VINLAND GRANTS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
LOCAL ASSISTANCE	250	275	275	275	275	275	275	0	.0%
Total Expenditures	250	275	275	275	275	275	275	0	.0%
<u>FINANCING BY FUND:</u>									
<u>DIRECT APPROPRIATIONS:</u>									
GENERAL	250	275	275	275	275	275	275		
Total Financing	250	275	275	275	275	275	275		

2000-01 Biennial Budget

BUDGET ACTIVITY: Persian Gulf Bonus
PROGRAM: Benefits
AGENCY: Veterans Affairs, Department of

ACTIVITY PROFILE:

The Persian Gulf Bonus activity provides bonus payments to eligible state veterans of the Persian Gulf War. Payments are made to survivors of veterans who were killed in action, or who died prior to applying for the payment. Veterans are eligible if they:

- served on active duty during the Persian Gulf war period of 8-2-90 to 7-31-91
- were residents of the state at the time they entered active duty

Eligible veterans receive a payment of:

- \$300 for service during the eligibility period
- \$600 for service in Southwest Asia during the eligibility period and receipt of a service medal in the Persian Gulf theater of operations during the eligibility period.
- \$2,000 for beneficiaries when the veteran was eligible for the Southwest Asia Service Medal and died during that time period as a direct result of a service connected injury, disease or condition.

PERFORMANCE MEASUREMENTS:

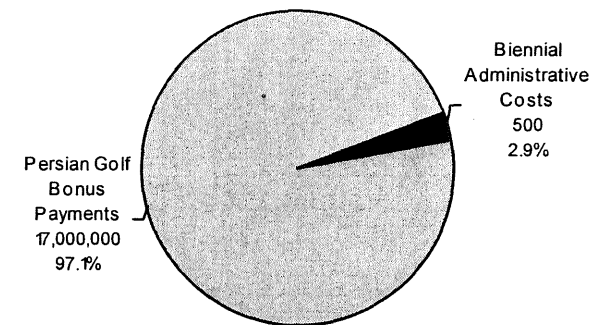
During the start up process, many thousands of applications were received within the first month; initial processing required 60 days due to the volume of applications received.

Currently qualified applications are being processed for payment within 1 week. Approximately 14,000 bonus applications have been paid to date. When the application period ends on 6-30-99 we anticipate approximately 9,000 eligible veterans will have not yet applied for their bonus.

FINANCING INFORMATION:

Persian Gulf bonuses were funded in 1997 at \$17 million; bonus operating budget is funded at \$500 for the biennium.

PERSIAN GULF BONUS
ADMIN COST vs BONUS PMTS TO VETS



BUDGET ISSUES:

Laws of Minnesota for 1997, Chapter 202, Article 1, Section 19 continues the appropriation until all applications submitted by 6-30-99 have been processed. At the end of F.Y. 1999 a significant portion of the appropriation will cancel to the General Fund because not all veterans will have applied for a bonus by the deadline.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT

Program: BENEFITS

Activity: PERSIAN GULF BONUS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	0	162	111	0	95	0	95	(83)	-30.4%
OPERATING EXPENSES	0	5,620	6,551	0	1,546	0	1,854	(8,771)	-72.1%
SUBTOTAL STATE OPERATIONS	0	5,782	6,662	0	1,641	0	1,949	(8,854)	-71.2%
Total Expenditures	0	5,782	6,662	0	1,641	0	1,949	(8,854)	-71.2%
<u>CHANGE ITEMS:</u>									
(B) PERSIAN GULF VETERANS BONUS EXTENSION	<u>FUND</u> GEN				1,641		1,949		
Total Change Items					1,641		1,949		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	0	5,782	6,662	0	1,641	0	1,949		
Total Financing	0	5,782	6,662	0	1,641	0	1,949		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	0.0	2.7	2.7	0.0	2.0	0.0	2.0		
PART-TIME, SEASONAL, LABOR SER	0.0	1.2	1.2	0.0	0.0	0.0	0.0		
OVERTIME PAY	0.0	0.3	0.3	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	0.0	4.2	4.2	0.0	2.0	0.0	2.0		

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Veterans Affairs, Department of
PROGRAM: Benefits
ACTIVITY:

ITEM TITLE: Persian Gulf Veterans Bonus Extension

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,641	\$1,949	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 98, sec. 197.79 subd. 10

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time general fund appropriation of \$3.6 million to extend the Persian Gulf bonus application period.

RATIONALE:

The Persian Gulf bonus program was overwhelmingly approved by voters in the 1996 general election and by legislators in the 1997 legislative session. Just over \$17 million was appropriated to show a debt of gratitude for the men and women who served during the conflict.

Payment of a bonus for military service was paid to veterans of WWI, WWII, and Vietnam. All of these bonus programs were continued for years. As enacted, the Persian Gulf Bonus program has only a 2-year application period. During the current legislative session, bills have been introduced extending the bonus application period to allow additional eligible veterans to apply.

In support of Minnesota veterans, the Governor recommends that the Persian Gulf

bonus application period be extended through 6-30-2001. This 2-year extension will provide additional time for veterans to collect the bonus that was given to them by the citizens of Minnesota as a token of respectful thanks.

FINANCING:

The entire 1997 appropriation will not be committed during the current two-year application period. To continue the program, a one-time appropriation of \$3.6 million is required: \$3.39 million for bonuses and \$210,000 to administer the program.

OUTCOMES:

Approximately 9,000 eligible veterans will receive the authorized bonus.

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2000-01 Biennial Budget

GOVERNOR'S RECOMMENDATION:

PROGRAM: Services

AGENCY: Veterans Affairs, Department of

The Governor recommends the agency's base budget and a \$257,000 biennial increase for Guardianship Activity.

PROGRAM PROFILE:

The Services Program consists of the following activities:

- Claims Offices (Ft. Snelling and Fargo, North Dakota)
- Guardianship Client Accounts
- Guardianship Administration

STRATEGIES AND PERFORMANCE:

The goal of the claims offices is to provide quality representation to all clients and to maximize the amount of federal veterans benefits received by Minnesotans. Currently, approximately 40% of all federal veteran payments received are the result of actions taken by our claims offices.

Guardianship activities remain at a constant level because of the department's inability to accept additional clients. Continued regulatory changes increase the requirements upon the activity to provide additional assistance without associated increases in funding or staffing.

FINANCING INFORMATION:

Funding for this program has remained at base levels for a number of years.

BUDGET ISSUES:

The department anticipates continued increasing demand for guardianship services. Referrals from the district courts, USDVA and other federal agencies have exceeded the department's staffing levels to the extent that the department has temporarily halted acceptance of additional clients. In addition, many county human service agencies also have an increased demand for financial conservatorship services. Recent changes in federal law require the appointment of a payee for certain recipients of Social Security payments.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT

Program: SERVICES

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
GUARDIANSHIP ADMINISTRATION	124	130	138	143	271	149	278	281	104.9%
CLAIMS ADMINISTRATION	628	544	605	579	579	631	631	61	5.3%
GUARDIANSHIP CLIENT ACCTS	1,731	1,721	2,000	2,000	2,000	2,000	2,000	279	7.5%
Total Expenditures	2,483	2,395	2,743	2,722	2,850	2,780	2,909	621	12.1%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) GUARDIANSHIP ACTIVITY INCREASE	GEN			128	129
Total Change Items				128	129

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	752	674	743	722	850	780	909
STATUTORY APPROPRIATIONS:							
AGENCY	1,731	1,721	2,000	2,000	2,000	2,000	2,000
Total Financing	2,483	2,395	2,743	2,722	2,850	2,780	2,909

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Total Full-Time Equivalent	15.0	15.0	15.0	15.0	15.0	15.0	15.0

2000-01 Biennial Budget

BUDGET ACTIVITY: Guardianship Administration Services
PROGRAM: Services
AGENCY: Veterans Affairs, Department of

ACTIVITY PROFILE:

The guardianship administration activity provides:

- Financial management services for veterans and their dependents, who have been adjudicated by district probate courts or other jurisdictions to be incompetent to handle their financial affairs.

Nearly all guardianship clients have:

- Severe and persistent mental or chemical dependency issues

The majority of clients require:

- Extensive assistance from human services agencies including visiting nursing services, medical assistance, homemaker assistance, etc.

Guardianship Services include:

- Financial planning
- Management and disposition of personal property and financial assets
- Application for human service programs
- Assistance in obtaining suitable housing
- Providing general advocacy services

Management of assets and financial budgeting of income is developed with:

- Individual client (to the extent the client is willing and able to assist)
- Client's family
- United States Department of Veterans Affairs (USDVA)
- Social service agencies
- Medical professionals
- District court policies

STRATEGIES AND PERFORMANCE:

The guardianship program provides financial case management to clients who would otherwise be vulnerable to exploitation by others or by their own inability to manage their funds. Case management provides many clients the ability to

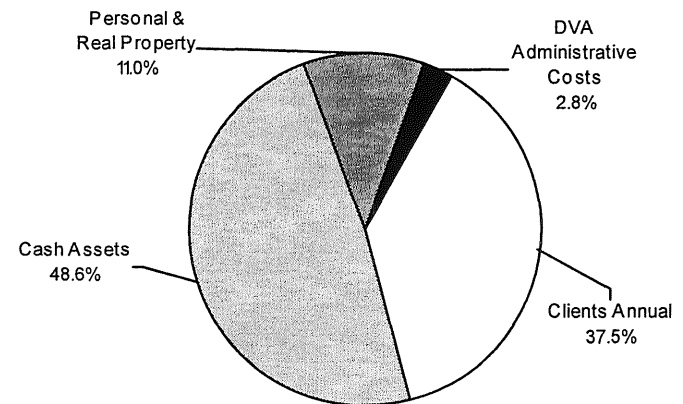
maintain stable lifestyles and enjoy a greater independence. Those clients that require additional community and medical support have the insurance of a "safety net" to protect them when circumstances require intervention.

FINANCING INFORMATION:

Minnesota Statute allows guardians and conservators to charge a fee for their services. Under current department policy, the guardianship program deposited \$37,800 to the General Fund in F.Y. 1999.

GAURDIANSHIP CLIENT FUND

In Comparison to MNDVA Admin Costs



BUDGET ISSUES:

The department anticipates continued increasing demand for guardianship services. Referrals from the district courts, USDVA and other federal agencies have exceeded the department's staffing levels to the extent that the department has temporarily halted acceptance of additional clients. In addition, many county human service agencies also have an increased demand for financial conservatorship services. Recent changes in federal law require the appointment of a payee for certain recipients of Social Security payments.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT

Program: SERVICES

Activity: GUARDIANSHIP ADMINISTRATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	122	128	135	140	230	146	252	219	83.3%
OPERATING EXPENSES	2	2	3	3	41	3	26	62	1,240.0%
SUBTOTAL STATE OPERATIONS	124	130	138	143	271	149	278	281	104.9%
Total Expenditures	124	130	138	143	271	149	278	281	104.9%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) GUARDIANSHIP ACTIVITY INCREASE	GEN				128		129		
Total Change Items					128		129		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	124	130	138	143	271	149	278		
Total Financing	124	130	138	143	271	149	278		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	3.0	3.0	3.0	3.0	3.0	3.0	3.0		
Total Full-Time Equivalent	3.0	3.0	3.0	3.0	3.0	3.0	3.0		

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Veterans Affairs, Department of
PROGRAM: Services
ACTIVITY: Guardianship Administration

ITEM TITLE: Guardianship Activity Increase

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$128	\$129	\$129	\$129
Revenues: (\$000s)				
General Fund	\$6	\$7	\$7	\$7

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$257,000 for the biennium to fund an increase in guardianship activities.

RATIONALE:

The increase in staffing of the guardianship activity would increase the number of clients served. The department is continually asked by the United States Department of Veterans Affairs (USDVA), district court system and Social Security Administration to accept more clients. Private fiduciary services are not always available to handle these clients who often have significant medical and psychological issues in addition to their inability to handle their personal finances.

An inability to meet this demand for services often results in clients having catastrophic experiences which require them to become institutionalized at significant cost to the state.

FINANCING:

The new initiative request includes financing for the following:

- Rent
- Staff
- Equipment
- Travel
- Communications
- Supplies

OUTCOMES:

Measuring performance in this activity is difficult as the clients have varying needs. The majority of these clients have severe and persistent mental and chemical dependency issues. The department will measure the number of personal visits to each client, the assessments completed after these visits and the actions taken (i.e. referrals to other agencies) to avoid the potential development of catastrophic experiences by the client.

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2000-01 Biennial Budget

BUDGET ACTIVITY: Claims
PROGRAM: Services
AGENCY: Veterans Affairs, Department of

ACTIVITY PROFILE:

The claims offices, located at Fort Snelling and Fargo, North Dakota, provide professional assistance to veterans and their dependents with their claims for federal veterans benefits. Currently 102,000 Minnesota veterans or their dependents have designated the department to act as their claims representative. Benefits are received in the form of:

- United States Department of Veterans Affairs (USDVA) service connected compensation benefits for injuries and illnesses incurred in or aggravated by service while on active duty.
- USDVA pension benefits are available for low income, disabled veterans and the spouses of deceased war time veterans.
- Death indemnity compensation benefits may be available for widows/widowers and dependents of veterans who died while on active duty or of veterans who died as a result of service connected injuries or illnesses.
- USDVA medical benefits, education and vocational rehabilitation benefits, home loans, and increases in their existing service connected compensation benefits.

STRATEGIES AND PERFORMANCE:

The claims offices provide veterans and their dependents claims assistance at all levels of the application and appeals process. Veterans or dependents whose claims were denied at the local USDVA office level have the option of appeal both at the local level and to the Board of Veterans Appeals in Washington, D.C.

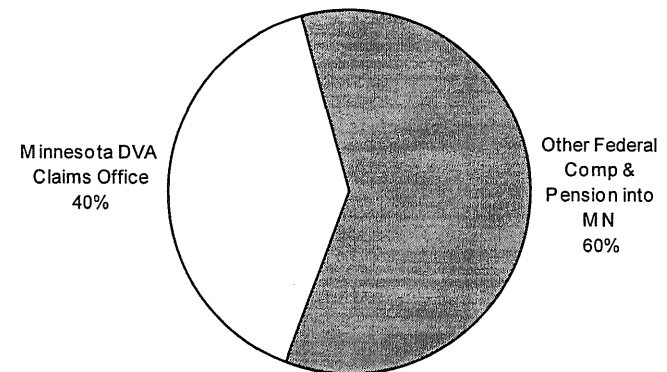
FINANCING INFORMATION:

- Federal F.Y. 1997 compensation and pension dollars - \$260,207,208
- Minnesota Department of Veterans Affairs (MDVA) Claims Offices (federal F.Y. 1997) compensation and pensions - \$105,000,000

FED COMP & PENSION BENEFITS

Paid to MN Veterans

MN DVA vs All Other - Total = \$260,207,208



BUDGET ISSUES:

The department's base budget will meet the anticipated needs of Minnesota veterans.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT

Program: SERVICES

Activity: CLAIMS ADMINISTRATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	519	499	549	530	530	575	575	57	5.4%
OPERATING EXPENSES	109	45	56	49	49	56	56	4	4.0%
SUBTOTAL STATE OPERATIONS	628	544	605	579	579	631	631	61	5.3%
Total Expenditures	628	544	605	579	579	631	631	61	5.3%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	628	544	605	579	579	631	631		
Total Financing	628	544	605	579	579	631	631		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	12.0	12.0	12.0	12.0	12.0	12.0	12.0		
Total Full-Time Equivalent	12.0	12.0	12.0	12.0	12.0	12.0	12.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: Guardianship Client Accounts
PROGRAM: Services
AGENCY: Veterans Affairs, Department of

ACTIVITY PROFILE:

The Guardianship Client Account receives and manages the clients' incomes and their cash assets. These are not state funds. These funds are deposited with the Department of Finance and are invested as are state funds. Earned interest is credited to the individual client account. Payments are made on behalf of the client for:

- Shelter
- Food
- Personal needs
- Medical expenses
- Other miscellaneous needs

STRATEGIES AND PERFORMANCE:

All client accounts are subject to an annual account review of income, expenses and assets. These accounts are provided to:

- District court of jurisdiction
- US Department of Veterans Affairs
- Social Security, if appropriate
- Client and next of kin

Guardianship accounts are subject to audit by the Legislative Auditor.

FINANCING INFORMATION:

Guardianship client income:
\$1.7 million in F.Y. 1998

Guardianship Client Cash Assets
\$2.2 million

Personal and Real Property
\$500,000

BUDGET ISSUES:

These funds are not state funds. They are the personal assets of the guardianship clients, which are managed by us on behalf of our clients.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT
Program: SERVICES
Activity: GUARDIANSHIP CLIENT ACCTS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
PAYMENTS TO INDIVIDUALS	1,731	1,721	2,000	2,000	2,000	2,000	2,000	279	7.5%
Total Expenditures	1,731	1,721	2,000	2,000	2,000	2,000	2,000	279	7.5%
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
AGENCY	1,731	1,721	2,000	2,000	2,000	2,000	2,000		
Total Financing	1,731	1,721	2,000	2,000	2,000	2,000	2,000		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
AGENCY	1,729	1,787	2,150	2,150	2,150	2,150	2,150		
NONDEDICATED									
CAMBRIDGE DEPOSIT FUND	35	38	50	50	50	50	50		
Total Revenues Collected	1,764	1,825	2,200	2,200	2,200	2,200	2,200		

2000-01 Biennial Budget

PROGRAM: Departmental Operations

AGENCY: Veterans Affairs, Department of

PROGRAM PROFILE:

The operations program consists of and is responsible for:

- Commissioners office
- Agency management
- Guardianship and benefits financial transactions
- County veterans service officer (CVSO) operational improvement grants
- Minnesota state veterans cemetery
- Veteran constituent awareness and program coordination

The operations unit is essential for the routine functions of the overall department. Recent changes in this program include increased time and energy spent on the Minnesota State Veterans Cemetery, the continued increased workload in the areas of Human Resources, Financial Management, and increased purchasing at the department level.

STRATEGIES AND PERFORMANCE:

The administrative activity is required to follow all applicable state policies and procedures, rules and regulations governing all activities to include:

- Human resource transactions and union contracts
- Affirmative Action
- Americans with Disabilities Act
- MAPS and SEMA4 Policies and Procedures
- Generally acceptable accounting practices
- Federal regulations and practices

FINANCING INFORMATION:

Additional funding for this program will continue current functions and allow the department to ensure compliance with existing state regulations, guidelines, internal policies and procedures and contractual requirements.

The County Veterans Service Officer Improvement Grant Program continues to provide needed equipment and training grants to assist CVSO's in the delivery of services to Minnesota veterans and their dependents.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget as well as a salary adjustment to enable the agency to provide the same level of services. The Governor has also included funding to improve this agency's technological infrastructure in the Small Agency Infrastructure initiative under the Minnesota Office of Technology.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT

Program: DEPARTMENTAL OPERATIONS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
ADMINISTRATIVE SERVICES	731	719	856	848	930	852	937	292	18.5%
CEMETERY DEV & MAINT ACCT	417	2	60	68	68	68	68	74	119.4%
CEMETERY OPERATIONS STATE	125	129	271	202	202	205	205	7	1.8%
CVSO GRANTS	233	223	240	233	233	235	235	5	1.1%
Total Expenditures	1,506	1,073	1,427	1,351	1,433	1,360	1,445	378	15.1%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) SALARY ADJUSTMENT	GEN			82	85
Total Change Items				82	85

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	1,088	1,071	1,361	1,279	1,361	1,285	1,370
FEDERAL	344	0	0	0	0	0	0
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	73	2	60	68	68	68	68
GIFT	1	0	6	4	4	7	7
Total Financing	1,506	1,073	1,427	1,351	1,433	1,360	1,445

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	13.6	15.4	16.0	16.0	16.0	16.0	16.0
PART-TIME, SEASONAL, LABOR SER	0.8	0.6	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	14.4	16.0	16.0	16.0	16.0	16.0	16.0

2000-01 Biennial Budget

BUDGET ACTIVITY: Administrative Services
PROGRAM: Operations
AGENCY: Veterans Affairs, Department of

ACTIVITY PROFILE:

The Administrative Services activity is responsible for the day to day operation of the department. Areas included in Administrative Services are:

- Commissioners office
- Human resources
- Information systems
- Purchasing
- Financial management and budgets
- Guardianship and benefits financial transactions
- Receipt, management and expenditure of donated funds
- Staff training and education

FINANCING INFORMATION:

The administrative services activity financing includes the majority of the expenditures for the department. Information systems, communication costs, rents and leases, and purchasing for our St. Paul office are included in this budget.

BUDGET ISSUES:

Increased department head salary costs, rents and communications charges continue to put pressure on the agency operating budget. The agency needs to move ahead with its computerization efforts in order to stay current with the demands of our clientele and our 4 different locations throughout the state.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT
Program: DEPARTMENTAL OPERATIONS
Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	498	529	640	667	749	657	742	322	27.5%
OPERATING EXPENSES	217	175	200	164	164	178	178	(33)	-8.8%
SUBTOTAL STATE OPERATIONS	715	704	840	831	913	835	920	289	18.7%
PAYMENTS TO INDIVIDUALS	0	0	1	2	2	2	2	3	300.0%
LOCAL ASSISTANCE	16	15	15	15	15	15	15	0	.0%
Total Expenditures	731	719	856	848	930	852	937	292	18.5%

<u>CHANGE ITEMS:</u>	<u>FUND</u>			
(B) SALARY ADJUSTMENT	GEN			82
Total Change Items				82

<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	730	719	850	844	926	845	930		
STATUTORY APPROPRIATIONS:									
GIFT	1	0	6	4	4	7	7		
Total Financing	731	719	856	848	930	852	937		

<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	11.6	11.4	12.0	12.0	12.0	12.0	12.0		
PART-TIME, SEASONAL, LABOR SER	0.4	0.6	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	12.0	12.0	12.0	12.0	12.0	12.0	12.0		

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Veterans Affairs, Department of
PROGRAM: Operations
ACTIVITY: Administrative Services

ITEM TITLE: Agency Head Salary Adjustment

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund	\$82	\$85	\$85	\$85
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends this initiative to enable the agency to continue the same level of services

RATIONALE:

Department of Veterans Affairs' base salary adjustment will enable the department to continue services to clientele at the current level. This adjusted funding is required because the department head salary increases has hit this small agency especially hard. Although department heads had not had a pay raise in eight years, and were long over due, the strain of meeting this need has been significant. Failure to provide this increase would result in the elimination of other necessary positions.

Each agency position fills an important function. Because the agency is not technically a "small agency" they were not eligible for salary supplements during past years resulting in several lost positions. With the loss of those positions went

some of the service to clientele. Now, the department head salary increase is threatening to further erode staffing levels.

In addition to the salary pressures the department has absorbed many other cost increases such as workers compensation claims; computer hardware and software purchases; postage; etc. In addition to these ongoing pressures the department is facing a period in which many staff are reaching retirement age and have high leave balances which will need to be paid in the form of severance pay. As a small size agency the combined force of these pressures places a significant burden on the budget.

FINANCING:

This change item would be added to the base level funding.

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2000-01 Biennial Budget

BUDGET ACTIVITY: Cemetery Maintenance and Development Account
PROGRAM: Operations
AGENCY: Veterans Affairs, Department of

ACTIVITY PROFILE:

This account serves as the depository for special revenues paid to the cemetery for burial services. Deposits into this account are from the United States Department of Veterans Affairs for reimbursement of burial expenses for veterans. Deposits for dependents are received from family members. Monetary donations are also deposited to this account.

A permanent trust account also exists in the special revenue fund of the state treasury. Deposits to this account were to include monetary donations. The department believes that it was hoped that significant monetary donations would be received and this trust account would be of sufficient balance to provide for the perpetual maintenance and operation from interest earnings. Currently this permanent trust account, including interest, is at \$2,000.

STRATEGIES AND PERFORMANCE:

The enabling legislation passed in 1994 included these accounts and the establishment of an advisory council whose sole responsibility was to manage the fund raising effort. Due to lack of interest by the public the council was never established and met its statutory expiration on 12-31-96.

FINANCING INFORMATION:

Donations and deposits to the Development and Maintenance Account were approximately \$25,000 (burial revenue and non-designated donations) last fiscal year. Contributions from Veterans Service Organizations and individuals for designated items equaled an additional \$12,000. Examples of designated items include: trees, pew benches, cemetery sign project.

Donations to the permanent trust account include the initial appropriation of \$1,000 and additional interest earnings and deposits for a total of \$2,000.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT

Program: DEPARTMENTAL OPERATIONS

Activity: CEMETERY DEV & MAINT ACCT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	66	2	60	68	68	68	68	74	119.4%
SUBTOTAL STATE OPERATIONS	66	2	60	68	68	68	68	74	119.4%
CAPITAL OUTLAY	351	0	0	0	0	0	0	0	
Total Expenditures	417	2	60	68	68	68	68	74	119.4%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
FEDERAL	344	0	0	0	0	0	0		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	73	2	60	68	68	68	68		
Total Financing	417	2	60	68	68	68	68		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	48	45	65	65	65	65	65		
FEDERAL	200	0	0	0	0	0	0		
Total Revenues Collected	248	45	65	65	65	65	65		

2000-01 Biennial Budget

BUDGET ACTIVITY: Cemetery Operations State
PROGRAM: Operations
AGENCY: Veterans Affairs, Department of

ACTIVITY PROFILE:

This activity provides:

- Appropriate burial services for the veterans and eligible dependents requesting interment at the cemetery
- Perpetual maintenance of the 22 acres included in the cemetery
- Long range plan that fully develops the property and all buildings while addressing the concerns of the surrounding community and environment
- Respected facility that provides a dignified burial site that is a source of gratification to visiting family and friends
- Assistance to grieving family members and friends while making arrangements for burial

STRATEGIES AND PERFORMANCE:

The creation of the state veterans cemetery in 1994 provided the initial impetus for the perpetual maintenance and development of this property. The department must continue implementing the long range plans for operation and development to ensure the cemetery provides dignified perpetual care and appropriate service delivery systems to family and friends.

FINANCING INFORMATION:

In the 1994 legislative session \$250,000 was appropriated to begin cemetery operations and the remaining funds were to serve as the basis for a federal matching grant for construction of a maintenance building, roads, irrigation systems, etc. The legislature approved a \$200,000 appropriation for the 1996-1997 biennium which funded the initial phase-in of the activity. This was increased to \$400,000 for the 1998-1999 biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT
Program: DEPARTMENTAL OPERATIONS
Activity: CEMETERY OPERATIONS STATE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	53	70	141	133	133	136	136	58	27.5%
OPERATING EXPENSES	72	59	130	69	69	69	69	(51)	-27.0%
SUBTOTAL STATE OPERATIONS	125	129	271	202	202	205	205	7	1.8%
Total Expenditures	125	129	271	202	202	205	205	7	1.8%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	125	129	271	202	202	205	205		
Total Financing	125	129	271	202	202	205	205		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	1.0	3.0	3.0	3.0	3.0	3.0	3.0		
PART-TIME, SEASONAL, LABOR SER	0.4	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	1.4	3.0	3.0	3.0	3.0	3.0	3.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: County Veterans Service Officer Grants
PROGRAM: Operations
AGENCY: Veterans Affairs, Department of

ACTIVITY PROFILE:

The County Veterans Service Officer (CVSO) Operational Improvement Grant activity assists the county with grants to purchase equipment which improves the efficiency and delivery of service to veterans and family members.

Requirements to receive a grant include:

- Veteran population as established by the United States Department of Veterans Affairs
- Each category has a different maximum grant
- Only 50% of the counties in each category can receive a grant in any given year
- If a county did not receive a grant the prior year, they are given priority for consideration the next year
- CVSO's must attain certification by the commissioner, which is based on annual education, training and testing
- County board of commissioners must approve the application by resolution

STRATEGIES AND PERFORMANCE:

Since this program's inception the majority of expenditures have been made for computerization enhancements. These enhancements have improved linkages between veteran providers and case management activities.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VETERANS AFFAIRS DEPT
Program: DEPARTMENTAL OPERATIONS
Activity: CVSO GRANTS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	40	42	45	48	48	50	50	11	12.6%
OPERATING EXPENSES	22	15	15	5	5	5	5	(20)	-66.7%
SUBTOTAL STATE OPERATIONS	62	57	60	53	53	55	55	(9)	-7.7%
LOCAL ASSISTANCE	171	166	180	180	180	180	180	14	4.0%
Total Expenditures	233	223	240	233	233	235	235	5	1.1%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	233	223	240	233	233	235	235		
Total Financing	233	223	240	233	233	235	235		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	1.0	1.0	1.0	1.0	1.0	1.0	1.0		
Total Full-Time Equivalent	1.0	1.0	1.0	1.0	1.0	1.0	1.0		

2000-01 Biennial Budget

AGENCY: Veterans of Foreign Wars (VFW)

MISSION STATEMENT:

The purpose of the Veterans of Foreign Wars (VFS) is fraternal, patriotic, historical, and educational; to preserve and strengthen comradeship among its members; to assist worthy comrades; to perpetuate the memory and history of our dead, and to assist their widows and orphans; to maintain true allegiance to the Government of the United States of America, and fidelity to its Constitution and laws; to foster true patriotism; to maintain and extend the institutions of American freedom, and to preserve and defend the United States from all her enemies, whomsoever.

SERVICE STRATEGIES:

Our services are available to all veterans. Membership in the VFW or Ladies Auxiliary is not required in order to be represented by all VFW offices.

Claims and Services Offices:

- Serve as attorneys-in-fact for veterans, their dependants, widows, and orphans in securing funds and services to which they are entitled.
- Seek to increase awareness among veterans in Minnesota of the available services.
- Employ 2 accredited claims representatives and 2 secretaries at Fort Snelling Veterans Administration Center.
- Provide representation in appeal procedures when claims are initially denied by federal agencies.

V.A. Medical Center in Minneapolis:

- Provides hospital representatives.
- Assists veterans and dependents in preparation of the required documentation and information necessary for securing benefits.

Washington D.C.

- Provides personnel for appeals for all veterans.
- Provides representation in front of the Court of Veterans Appeals.

BUDGET PLAN:

The VFW provides power of attorney services to more than 84,000 Minnesota veterans and dependants. While not all these accounts are active, the 1997 total cash benefits from the Federal Government still totaled \$29,820,795. These figures do not include the millions of dollars that are saved annually by Minnesota taxpayers through the hospital care provided by the Department of Veteran's Affairs.

As veterans age they experience increasing health and disability problems creating an increase in the demand for our services. It is projected that 75% of veterans in Minnesota will soon be over 65 years of age. The current age of World War II veterans is 75 years; Korea 66 years; Vietnam 51 years and Persian Gulf 32 years. Department of Veteran's Affairs projects that demand will continue to increase during the next biennium.

Services will be provided to an estimated 93,686 veterans and dependents annually in F.Y. 2000-01, as compared to an estimated 90,877 in F.Y. 1998-99. This will result in an estimated in excess of \$30 million in individual benefits each year.

In addition to aging veterans, increased demand is created by the ability of veteran's to make appeals to the recently inaugurated Court of Veterans Appeals. This appeal court only hears Veteran Affairs issues, and is the next step after the Board of Veterans Appeals. It is a review court and not a trial type court. While it is clearly advantageous to veterans it also increases the time and resources spent on resolving some applications.

Base state resources will be used to supplement a portion of the budget for salaries, which total \$135,000.

GOVERNOR'S RECOMMENDATIONS(S):

The Governor recommends the current base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: VFW

Program: VETERANS OF FOREIGN WARS

Activity: VETERANS OF FOREIGN WARS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
LOCAL ASSISTANCE	41	41	41	41	41	41	41	0	.0%
Total Expenditures	41	41	41	41	41	41	41	0	.0%
<u>FINANCING BY FUND:</u>									
<u>DIRECT APPROPRIATIONS:</u>									
GENERAL	41	41	41	41	41	41	41		
Total Financing	41	41	41	41	41	41	41		

2000-01 Biennial Budget

AGENCY: Military Order of the Purple Heart (MOPH)

AGENCY DESCRIPTION:

The objectives of the Military Order of the Purple Heart of the U.S.A. (MOPH) are patriotic, fraternal, historical, and educational.

The MOPH is a congressionally chartered veterans organization, authorized to represent veterans, dependants, widows, and orphans with Department of Veteran Affairs claims. The organization is exclusively made up of combat-wounded veterans from all wars. The National Service office is located at Fort Snelling. The staff consists of the national service officer and a full-time administrative assistant.

The MOPH 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.

In addition to working on service connected compensation or non-service connected pension claims, MOPH 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. MOPH also participate in an outreach program which assists the homeless and disenfranchised veterans.

The National organization provides representation with the Board of Veterans Appeals and the Court of Veterans Appeals. When a decision has been made to deny a veteran benefits, MOPH 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.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The biennial appropriation of \$40,000 is for the purpose of "assisting veterans in the preparation and presentation of claims to the Department of Veterans Affairs." MOPH continues to honor this mandate from the Minnesota Legislature.

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. 1997, there were 65 active POA's which represents a 51% increase over F.Y. 1996.

Our success is further measured by the amount of veterans benefits recovered each year. In F.Y. 1998 there was a total recovery of \$2.251 million in veterans benefits that was put back into Minnesota's economy. The monthly amount in veterans benefits recovered for F.Y. 1998 was \$187,564.

During the past fiscal year, MOPH held 193 interviews, reviewed 1,674 files, and had 673 claims granting VA benefits (a 64% increase over F.Y. 1996). Our National Service office workload has increased during the past fiscal year.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the current base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MILITARY ORDER OF PURPLE HEART

Program: MILITARY ORDER PURPLE HEART

Activity: MILITARY ORDER PURPLE HEART

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
LOCAL ASSISTANCE	20	20	20	20	20	20	20	0	.0%
Total Expenditures	20	20	20	20	20	20	20	0	.0%
<u>FINANCING BY FUND:</u>									
<u>DIRECT APPROPRIATIONS:</u>									
GENERAL	20	20	20	20	20	20	20		
Total Financing	20	20	20	20	20	20	20		

2000-01 Biennial Budget

AGENCY: Disabled American Veterans (DAV)

AGENCY MISSION AND VISION:

Building better lives for all of our nation's disabled veterans and their families.

AGENCY DESCRIPTION:

The mission is carried forward by:

- providing free professional assistance to veterans and their families in obtaining benefits and services earned through military service and provided by the Department of Veterans Affairs and other agencies of government;
- representing the interests of disabled veterans their families, their widowed spouses and their orphans before Congress, the White House, and the Judicial Branch, as well as state and local government;
- extending the DAV's mission of hope into the communities where these veterans and their families live through a network of state level departments and 2,400 local chapters; and
- providing a structure through which disabled veterans can express their compassion for their fellow veterans through a variety of volunteer programs.

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 Veteran's Affairs' Regional Office. In addition, the DAV has department service officers and hospital service coordinators at both the Minneapolis Department of Veterans' Medical Center and the St. Cloud Department of Veterans Affairs' Medical Center. Service officers at the Medical Centers assist veterans in obtaining transportation to obtain medical care. These services

are provided free of charge, irrespective of membership in the DAV 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 DAV 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 million in monetary benefits for veterans and widows in F.Y. 2000-01.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the current base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: DISABLED AMERICAN VETS
Program: DISABLED AMERICAN VETERANS
Activity: DISABLED AMERICAN VETERANS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	12	13	13	13	13	13	13	0	.0%
Total Expenditures	12	13	13	13	13	13	13	0	.0%
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	12	13	13	13	13	13	13		
Total Financing	12	13	13	13	13	13	13		

2000-01 Biennial Budget

AGENCY: Lawful Gambling Control Board

AGENCY DESCRIPTION:

Our mission is to regulate lawful gambling to assure the integrity of the industry. We accomplish this by:

- licensing manufacturers, distributors, bingo halls, nonprofit organizations, and gambling managers
- reviewing licensees' activities for compliance with laws and rules
- educating the industry through seminars and monthly newsletters
- conducting site inspections and investigating allegations of non-compliance
- imposing fines, suspensions, or license revocations when necessary

Minnesota's lawful gambling industry generates \$1.38 billion a year. There are 5 forms of lawful gambling in Minnesota: pull-tabs, bingo, tipboards, paddle wheels, and raffles. In F.Y. 1997, charitable contributions amounted to \$74 million, and state taxes collected for lawful gambling amounted to \$62 million.

PERFORMANCE SUMMARY:

- Improved compliance review process so that 85% of licensed organizations are being reviewed during the 2-year license cycle. Our goal is 100%.
- Investigated 80 cases of potential theft of more than \$1 million.
- Developed a Lawful Gambling Manual that helps organizations comply with gambling laws and rules. The manual has been recognized as a model by other regulators nationwide.
- During 1997 staff conducted 12 2-day gambling manager seminars, 72 continuing education classes, and gave speeches at 19 regional and statewide conferences and conventions (VFW, Elks, Lions, etc.).

REVENUES:

Revenues from license fees and fines are deposited in the General Fund.

- Revenues from license fees are estimated at \$1.8 million for the biennium.
- Fines are estimated at \$170 thousand for the biennium.

In addition to these license fees, approximately \$124 million in gambling taxes will be paid to the Minnesota Department of Revenue this biennium.

EXPLANATION OF AGENCY'S BUDGET PLAN:

We will continue to strengthen our regulatory program and improve service to the industry, but that service depends on our computerized regulatory program. In the last biennium, we received funding to build an integrated data base system, and the Department of Revenue was required to provide technical support without charge. This funding ends 6-30-99.

To replace this support, and to upgrade and maintain our computer system, we have a technology initiative included in the Office of Technology's small agency infrastructure initiative.

M.S. 349.163, subd. 4 provides for Board inspection of licensed manufacturers of gambling equipment. Existing law provides that until 7-1-99 money in the account is appropriated to the Board to pay for the costs of these inspections. Language deleting the sunset provision and allowing the inspection program to continue is included in the Governor's budget bill.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the agency's budget and deletion of the sunset language related to inspection of licensed manufacturers. The Governor has also included funding to improve this agency's technology infrastructure in the Small Agency Infrastructure Initiative under the Minnesota Office of Technology.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: GAMBLING CONTROL BOARD
Program: LAWFUL GAMBLING CONTROL
Activity: LAWFUL GAMBLING CONTROL

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,610	1,666	1,774	1,803	1,803	1,856	1,856	219	6.4%
OPERATING EXPENSES	448	370	673	380	394	385	399	(250)	-24.0%
SUBTOTAL STATE OPERATIONS	2,058	2,036	2,447	2,183	2,197	2,241	2,255	(31)	-.7%
Total Expenditures	2,058	2,036	2,447	2,183	2,197	2,241	2,255	(31)	-.7%
<u>CHANGE ITEMS:</u>									
(B) MANUFACTURER INSPECTION PROGRAM	SR				14		14		
Total Change Items					14		14		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2,057	2,018	2,432	2,183	2,183	2,241	2,241		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	1	14	14	0	14	0	14		
FEDERAL	0	4	1	0	0	0	0		
Total Financing	2,058	2,036	2,447	2,183	2,197	2,241	2,255		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	0	2	0	0	0	0	0		
SPECIAL REVENUE	1	14	14	0	14	0	14		
FEDERAL	0	5	0	0	0	0	0		
NONDEDICATED									
GENERAL	88	85	85	85	85	85	85		
CAMBRIDGE DEPOSIT FUND	538	1,273	538	1,273	1,273	538	538		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: GAMBLING CONTROL BOARD
Program: LAWFUL GAMBLING CONTROL
Activity: LAWFUL GAMBLING CONTROL

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
Total Revenues Collected	627	1,379	637	1,358	1,372	623	637
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	33.0	32.3	32.3	32.3	32.3	32.3	32.3
PART-TIME, SEASONAL, LABOR SER	2.5	2.7	2.7	2.7	2.7	2.7	2.7
Total Full-Time Equivalent	35.5	35.0	35.0	35.0	35.0	35.0	35.0

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **GAMBLING CONTROL BOARD**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	2,177	2,177	2,177	2,177	0	0	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	11	16	11	16	0	0	0	0
2000-01 SAL. & BEN. BASE	51	104	51	104	0	0	0	0
SYSTEM DEVELOPMENT COST	<53>	<53>	<53>	<53>	0	0	0	0
UNIFORM PENSION BILL RED.	<3>	<3>	<3>	<3>	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	6	64	6	64	0	0	0	0
BASE BUDGET	2,183	2,241	2,183	2,241	0	0	0	0

2000-01 Biennial Budget

AGENCY: Minnesota Racing Commission (MRC)

AGENCY DESCRIPTION:

The Minnesota Racing Commission (MRC) is a regulatory agency created in 1983 to supervise and regulate the pari-mutuel horse racing industry in Minnesota.

The commission's mission is to assure the integrity of pari-mutuel wagering and the safety and welfare of the humans and animals that participate in horse racing.

The MRC:

- Establishes criteria and standards for licensing of pari-mutual racetracks, and the personnel employed or operating at such facilities.
- Establishes criteria and standards for security and law enforcement at licensed racetracks and veterinary services and the oversight of these functions.
- Collects and distributes all taxes and fees related to pari-mutuel horse racing to the General and Breeders' Funds.

PERFORMANCE SUMMARY:

The MRC performs the following general duties:

- License and conduct 2,500 background investigations each year of individuals applying to work at the racetrack to assure integrity of individuals participating in pari-mutuel wagering in Minnesota and nationally.
- Register horses each year to allow owners to participate in the Minnesota Breeders Fund awards program so that economic stability and growth in related agri-business continues.
- Conduct pre-race exams of all horses racing each day, which protects equine participants and the betting public.
- Conduct investigations of any suspected violations of Minnesota's racing laws and rules to enforce rules and laws that were established to protect the integrity of the racing industry in Minnesota and nationally.
- Supervise all activities affecting the conduct of a racing day to protect all human and equine participants and assure the integrity of pari-mutuel wagering to the betting public.

REVENUES:

- *General Fund Non dedicated revenue* reflects pari-mutuel tax revenue and receipts from Class A and B licenses, occupational licenses and fines.
- *Special Revenue Fund Dedicated revenues* include reimbursements to the commission for providing steward, assistant veterinarian, and drug testing services as well as Breeders Fund pari-mutuel tax for the administration of the Breeders Fund program and equine research grants.
- *Agency Fund Dedicated revenues* represent pass through monies to the horse racing and breeding industry participants in the form of awards and purse supplements.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The current level of spending will continue to be required to regulate Canterbury Park and County Fair pari-mutuel racing in each year of the biennium. This assumes:

- There will be year-round full card simulcasting, 50 to 60 day live meets from late May through mid-August at Canterbury Park, and 1 fair meet in August.
- Racing activity during the next biennium is expected to remain relatively static.
- No changes in industry operations or in legislation.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The horse racing industry in Minnesota is improving and becoming more stable. It is anticipated that Canterbury Park will maintain the current level of operation for the foreseeable future. Canterbury Park and the industry may seek adoption of other forms of gaming during the biennium, which it considers necessary to compete with increased purse structure in other jurisdictions, that have added slot machines and other forms of gaming to their operations.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: RACING COMMISSION

Program: RACING COMMISSION

Activity: RACING COMMISSION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	247	277	300	303	303	312	312	38	6.6%
OPERATING EXPENSES	522	522	283	292	292	295	295	(218)	-27.1%
SUBTOTAL STATE OPERATIONS	769	799	583	595	595	607	607	(180)	-13.0%
LOCAL ASSISTANCE	434	743	811	757	757	752	752	(45)	-2.9%
Total Expenditures	1,203	1,542	1,394	1,352	1,352	1,359	1,359	(225)	-7.7%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	348	363	379	390	390	402	402		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	855	1,038	248	226	226	226	226		
AGENCY	0	141	767	736	736	731	731		
Total Financing	1,203	1,542	1,394	1,352	1,352	1,359	1,359		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	966	630	227	226	226	226	226		
AGENCY	0	320	636	637	637	637	637		
NONDEDICATED									
GENERAL	60	70	72	71	71	71	71		
CAMBRIDGE DEPOSIT FUND	96	105	98	98	98	98	98		
Total Revenues Collected	1,122	1,125	1,033	1,032	1,032	1,032	1,032		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: RACING COMMISSION

Program: RACING COMMISSION

Activity: RACING COMMISSION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	4.2	4.0	4.0	4.0	4.0	4.0	4.0
PART-TIME, SEASONAL, LABOR SER	1.0	1.3	1.3	1.3	1.3	1.3	1.3
OVERTIME PAY	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	5.6	5.3	5.3	5.3	5.3	5.3	5.3

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: RACING COMMISSION

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	1,341	1,336	379	379	962	957	0	0
BASE ADJUSTMENTS								
SMALL AGENCY OPERATIONAL EXPE	3	6	3	6	0	0	0	0
2000-01 SAL. & BEN. BASE	8	17	8	17	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	11	23	11	23	0	0	0	0
BASE BUDGET	1,352	1,359	390	402	962	957	0	0

2000-01 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 citizens approved a constitutional amendment in 1988. Lottery operations began in October 1989, and the Lottery sold its first instant game tickets in April 1990. The sale of on-line game tickets began in August 1990. Currently the Lottery offers 12 separate instant ticket games that change periodically and 4 on-line numbers games.

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; regional offices are located in Virginia, Marshall, Brainerd, Owatonna, Detroit Lakes, and Eagan.

Headquarters staff manage accounting and finance, personnel, purchasing, facilities, information systems, ticket distribution, and the warehousing and distribution of promotional items. They contract 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. Additional

functions that operate from the Roseville headquarters include security, games control, ticket validations and general agency administration.

Operating out of the 6 regional offices, about 50 sales representatives call on retailers to train their employees, plan and run special sales promotions tailored to the needs of individual retailers, recruit new retailers, and ensure placement of product and point-of-sale materials. Additionally, in each regional office 3 staff provide administrative support, pay lottery game winners, answer inquiries from players and retailers, fill emergency ticket orders, and assemble promotional items used in retail sales events.

Lottery sales were \$372.9 million in F.Y. 1998. Of this amount, \$224.9 million was paid to winners as prizes and \$21.5 million was paid to retailers as commissions and incentives. The Lottery transferred \$56.7 million to the state treasury in net proceeds, split 60/40 between the Cambridge Bank Fund and the Environmental and Natural Resource Trust Fund. An additional \$24.2 million was deposited to the General Fund as in-lieu-of-sales tax and \$5.0 million were transferred to the state from unredeemed Lottery prizes (\$2.0 million to the Environmental and Natural Resources Trust Fund and \$3.0 million to the General Fund). Since lottery sales began in 1990 through the end of F.Y. 1998 over \$685 million has been paid to the funds designated as the Lottery's beneficiaries.

The network of instant and on-line retailers continues to change. The Lottery is currently contracting with approximately 3,400 retailers of which 1,500 currently sell only instant products. The Lottery anticipates that by the end of F.Y. 1999 all lottery retailers will be able to sell both instant and on-line products, thereby improving service to players and increasing the earnings potential for retailers.

Lottery net proceeds and the in-lieu-of-sales tax are transferred monthly to the state. On each \$1.00 of lottery sales, 6.5% is designated as a in-lieu-of-sales tax and paid to the General Fund. In 1991, the legislature designated 2 beneficiaries to receive lottery net proceeds: the General Fund receives 60% as non-dedicated revenue and the Environmental and Natural Resources Trust Fund receives the remaining 40%. Proceeds to the Environmental Trust Fund are dedicated by the state constitution through 12-31-2024, with annual receipts designated to building a permanent trust fund.

In 1995, the legislature amended state statute so the 60% of net proceeds is credited to the Cambridge Bank Fund, a special revenue fund used by the commissioner of Finance to pay the debt service on bonds issued in response to the Cambridge State Bank case. Excess funds in the Cambridge Bank Fund not needed to service the debt are transferred to the General Fund.

2000-01 Biennial Budget

AGENCY: Minnesota State Lottery
(Continuation)

In that same session, the legislature required 70% of unclaimed prizes to be transferred annually to the state treasury, 40% to the Environmental and Natural Resources Trust Fund and 60% to the General Fund. The Lottery uses the remaining 30% of unclaimed prizes to increase the prize pools of future games.

The 1998 legislature increased the sales commission paid to retailers to 5.5% from 5.0%. In addition, the legislature added a commission of 1% on prize payouts made by retailers. The higher sales commission and new cashing commission will increase the Lottery's annual direct costs by an estimated \$3 million.

Since inception, Lottery funds have been transferred annually to the General Fund to cover costs of compulsive gambling treatment programs administered by the Department of Human Services. In addition, \$1.3 million in F.Y. 1998 and \$2.24 million in F.Y. 1999 were appropriated to the Department of Human Services from the lottery prize fund for compulsive gambling programs. From inception through F.Y. 1999, the Lottery has contributed a total of \$8.745 million for compulsive gambling programs. The Lottery has also developed a TV and radio public service campaign on compulsive gambling, designed and printed stickers advertising the compulsive gambling hotline numbers that are posted at each Lottery retailer and available to all interested parties, and designed and distributed a pamphlet on compulsive gambling for use by schools, treatment and counseling professionals.

PERFORMANCE SUMMARY:

The Lottery intends to meet its performance objectives through merchandising, advertising and promotion of its games, and the introduction of new and attractive Lottery products.

The performance measures of the Lottery are simple: maximize the contributions to the state within the statutory guidelines. To maintain existing revenue projections, the Lottery must anticipate, develop and foster the consumer's preference in spending discretionary entertainment dollars. New games are continuously under development, their themes and styles varied to keep pace with changes in player preferences in the market place.

The Lottery's goals are to:

- maintain contributions to the state in excess of \$80 million;
- maintain market share of the state gaming industry; and
- continue to operate a network of retail outlets that provides convenient access to lottery products for all players.

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 will continue awarding prizes at levels first tried in F.Y. 1992. Higher prize payouts (up to 70% for some instant ticket games), effective marketing, strategic advertising, increased emphasis on retailer promotions and incentives, innovations by field and telephone representatives, games control services and support by operations and technical staff have all made it possible for the Lottery to maintain strong sales.

The Lottery will continue to explore and implement methods of providing more cost-effective advertising and promotions and more efficient operations while maintaining the Lottery's market share. Generally the operating efficiencies gained from advanced technology and equipment offset other operating expense increases. These actions enable the lottery to minimize the effect of inflationary increases in its operating expenses.

To achieve greater operating efficiency the Lottery purchased the vehicles in its motor pool fleet to replace leased cars and vans. The Lottery purchased and installed about 1,900 new OmniPoint terminals and printers in F.Y. 1998 and F.Y. 1999. This new equipment replaces original terminals that had become maintenance prone. Further, the new terminals give players access to on-line games at more retail sales locations. Enabling all 3,400 retailers to sell on-line games is expected to help the Lottery maintain sales. In addition, the Lottery funded in F.Y. 1999 a one-time research study that will provide better information on its players. The information can also be used to design future games and to assist the Lottery in formulating its marketing strategy.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The Lottery's mission is to maximize revenue for the state through the sale of lottery tickets. Lottery 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, and competition for the discretionary dollar.

2000-01 Biennial Budget

AGENCY: Minnesota State Lottery (Continuation)

When those conditions adversely affect sales, it is essential that the Lottery initiate action quickly to maintain revenues, profits and its contributions to the state treasury.

The novelty of the Lottery has naturally waned and with that comes the challenge of sustaining and increasing sales with new and advanced technology, enhanced products, player promotions, and retailer incentives. The competition for discretionary dollars in Minnesota is fierce. Competition comes from other forms and opportunities for wagering, as well as from other unrelated kinds of entertainment and recreation.

EXPLANATION OF ESTIMATES:

The Lottery's annual sales estimate is the key driver affecting many of the other Lottery costs and expenses such as in-lieu-of-sales tax, prizes and prize reserve, retailer commissions, on-line vendor expenses, and operating expenses. The sales estimate for a given period can be significantly affected by a jackpot driven game, such as Powerball, that may generate unpredictable sales patterns.

Lottery sales in F.Y. 1999-2001 are projected to decline somewhat from F.Y. 1998 for several reasons:

- A new on-line game, Cash4Life, was introduced in March 1998 in place of Daily Millions. Sales of Cash4Life in F.Y. 1999-2001 will decline somewhat from sales levels reached during its initial sales period.
- Two separate record breaking Powerball jackpots occurred in May 1998, to be followed by a new record jackpot in July 1998. Projections of Powerball sales for F.Y. 1999-2001 do not anticipate the repeat of similar record breaking jackpots.
- During F.Y. 1998 the Lottery's 2 largest on-line games, Powerball and Gopher 5, were "refreshed" or updated, which has the effect of renewing player interest in the games. The effect, however, diminishes over-time. Sales for all on-line games are projected to remain constant in F.Y. 1999-2001.

While players continue to show a strong desire for instant games, instant ticket sales are projected to be flat in F.Y. 1999-2001. To keep instant games fresh and continue to appeal to players, the Lottery is introducing a greater number and wider variety of games. However, strong instant game sales may not equate to higher profits since printing a greater number of games but in smaller quantities and using more intricate graphics and special production techniques have increased instant ticket costs.

Nationally the growth of Lottery sales has slowed. The Lottery feels that the investments it made in technology and upgraded equipment during F.Y. 1998 and F.Y. 1999 (upgraded mainframes and new OmniPoint terminals) will enable the Lottery to maintain its level of sales in F.Y. 2000 and F.Y. 2001.

Direct costs are projected to decrease in F.Y. 2000 and F.Y. 2001 when compared to F.Y. 1999. Total direct costs include the Lottery's annual contribution for compulsive gambling programs, which in F.Y. 1999 included a one-time payment of \$750,000.

Net proceeds in F.Y. 2000-2001 are projected to be essentially unchanged - a slight decrease - from estimated net proceeds in F.Y. 1999. Total sales are projected to remain unchanged in F.Y. 2000 and F.Y. 2001, and the decrease in direct costs is offset by increased operating expenses.

2000-01 Biennial Budget

AGENCY: Minnesota State Lottery
(Continuation)

	Dollars in Thousands			
	F.Y. 1998 <u>Actual</u>	F.Y. 1999 <u>Projected</u>	F.Y. 2000 <u>Projected</u>	F.Y. 2001 <u>Projected</u>
REVENUE				
Instant Ticket Sales	\$259,782	\$262,000	\$262,000	\$262,000
On-line Daily 3 Sales	12,949	13,200	13,200	13,200
On-line Power Ball	71,275	66,500	66,500	66,500
On-line Gopher 5	19,594	19,600	19,600	19,600
On-line Daily Millions	5,071	-0-	-0-	-0-
On-line Cash4Life	<u>4,202</u>	<u>8,700</u>	<u>8,700</u>	<u>8,700</u>
TOTAL SALES	\$372,873	\$370,000	\$370,000	\$370,000
Less In Lieu of Sales Tax	<u>24,237</u>	<u>24,050</u>	<u>24,050</u>	<u>24,050</u>
Gross Receipts	\$348,636	\$345,950	\$345,950	\$345,950
Plus Other Income	<u>2,094</u>	<u>1,931</u>	<u>1,931</u>	<u>1,931</u>
Gross Revenue	\$350,730	\$347,881	\$347,881	\$347,881
COSTS & EXPENSES				
Direct Costs				
Total Game Prizes	\$224,964	\$223,408	\$223,306	\$223,306
Unclaimed Prizes Paid to State	5,008	5,112	5,214	5,214
Compul. Gambling for Prize Fund	1,425	2,365	1,615	1,615
Retailer Commission & Incentives	<u>21,532</u>	<u>23,395</u>	<u>23,395</u>	<u>23,395</u>
Subtotal	\$252,929	\$254,280	\$253,530	\$253,530
Operating Expense				
Instant Ticket Cost	\$3,924	\$4,284	\$4,289	\$4,289
On-line Vendor Commission	7,979	7,800	7,800	7,800
Advertising	8,450	8,429	8,738	8,738
Promotions	3,084	3,095	3,171	3,171
Salaries & Benefit, Emp. Expense	9,725	10,278	10,656	10,819
Building & Equip. Rent	1,466	1,407	1,442	1,478
Communications	1,305	1,355	1,358	1,372
Depreciation	1,051	1,509	1,667	1,667
Professional Services	1,428	1,759	1,468	1,472
Office & Retailer Supplies	825	909	918	924

	F.Y. 1998 <u>Actual</u>	F.Y. 1999 <u>Projected</u>	F.Y. 2000 <u>Projected</u>	F.Y. 2001 <u>Projected</u>
Contrib: Public Safety Enforcement	150	150	150	150
Other	<u>1,752</u>	<u>2,470</u>	<u>2,674</u>	<u>2,426</u>
Total Operating Expense	\$41,139	\$43,445	\$44,331	\$44,331
Net Proceeds	<u>\$56,662</u>	<u>\$50,156</u>	<u>\$50,020</u>	<u>\$50,020</u>

PAID TO STATE

Net Proceeds

40% Environ. & Natural Resources Trust Fund	\$22,665	\$20,062	\$20,008	\$20,008
60% Cambridge Bank Fund	<u>33,997</u>	<u>30,094</u>	<u>30,012</u>	<u>30,012</u>
Total Net Proceeds	\$56,662	\$50,156	\$50,020	\$50,020

Unclaimed Prizes

40% Environ. & Natural Resources Trust Fund	\$2,003	\$2,045	\$2,086	\$2,086
60% General Fund	<u>3,005</u>	<u>3,067</u>	<u>3,128</u>	<u>3,128</u>
Total Unclaimed Prizes	<u>\$5,008</u>	<u>\$5,112</u>	<u>\$5,214</u>	<u>\$5,214</u>

In addition, the following amounts were paid by the Lottery to the General Fund or provided as a direct appropriation from the Lottery prize Fund:

In Lieu of Sales Tax	\$24,237	\$24,050	\$24,050	\$24,050
Transfer for Compulsive Gambling Enforcement	125	125	125	125
Transfer for Gambling Enforcement	150	150	150	150
Appropriation to DHS for Compulsive Gambling Programs	<u>1,300</u>	<u>2,240</u>	<u>1,490</u>	<u>1,490</u>
TOTAL PAID TO STATE	\$87,482	\$81,833	\$81,049	\$81,049

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency plan.

2000-01 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 Council, and employees for 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.

The administrative budget for the agency is set annually by the Board of Directors. There is no statutory language as to the amount of administrative budget.

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. 1998 was over 117,000 persons. Another 20,700 received monthly retirement payments or survivor benefits. About 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 the following:

- 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;
- to make the monthly retirement, disability, and survivor benefit payments on an accurate, efficient basis;
- to make refunds on a timely basis for members withdrawing from the system;
- 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. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Total Membership	110,000	117,000	110,000	112,000	114,000
Refunds Paid to Members	4,000	3,000	4,000	4,000	3,000
New Retirees Added During the Year	1,000	1,000	1,000	1,000	1,000
Retired Members or Survivors Paid Monthly	20,000	20,700	21,400	22,000	22,600
Investments (\$'s in millions)	\$5,000	\$6,789	\$7,200	\$7,500	\$7,800
Contributions (\$'s in millions)					
Employee	\$110	\$116	\$120	\$124	\$130
Employer	\$90	\$85	\$89	\$93	\$99

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MINN STATE RETIREMENT SYSTEM

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
MN STATE RETIREMENT SYSTEM	216,319	257,467	272,025	282,985	282,985	294,218	294,218	47,711	9.0%
ELECTIVE OFFICERS PLAN	165	171	182	198	198	214	214	59	16.7%
JUDGES PLAN	7,603	9,118	9,959	10,770	10,770	11,630	11,630	3,323	17.4%
LEGISLATORS PLAN	5,945	8,302	5,313	5,743	5,743	6,200	6,200	(1,672)	-12.3%
Total Expenditures	230,032	275,058	287,479	299,696	299,696	312,262	312,262	49,421	8.8%

FINANCING BY FUND:									
OPEN APPROPRIATIONS:									
GENERAL	3,854	5,651	2,379	5,883	5,883	6,050	6,050		
CORRECTIONAL EMPLOYEES RETIRE	6,768	8,754	9,702	10,470	10,470	11,300	11,300		
STATE EMPLOYEES RETIREMENT	168,619	197,700	214,904	221,561	221,561	228,281	228,281		
HIGHWAY PATROL RETIREMENT	14,749	18,450	20,358	21,984	21,984	23,740	23,740		
UNCLASSIFIED EMPLOYEES RETIRE	3,698	5,513	6,079	6,376	6,376	6,566	6,566		
DEFERRED COMPENSATION	22,485	27,050	20,982	22,594	22,594	24,331	24,331		
JUDICIAL RETIREMENT	7,603	9,118	9,959	8,885	8,885	9,594	9,594		
STATUTORY APPROPRIATIONS:									
LEGISLATIVE ANNUITIES	2,256	2,822	3,116	1,943	1,943	2,400	2,400		
Total Financing	230,032	275,058	287,479	299,696	299,696	312,262	312,262		

FTE BY EMPLOYMENT TYPE:									
FULL TIME	35.1	36.8	36.8	44.7	44.7	44.7	44.7		
PART-TIME, SEASONAL, LABOR SER	5.6	4.8	4.8	4.5	4.5	4.5	4.5		
OVERTIME PAY	0.2	0.3	0.3	0.3	0.3	0.3	0.3		
Total Full-Time Equivalent	40.9	41.9	41.9	49.5	49.5	49.5	49.5		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: MINN STATE RETIREMENT SYS

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	287,479	287,479	2,379	2,379	285,100	285,100	0	0
BASE ADJUSTMENTS								
OPEN APPR. FORECAST ADJ.	12,217	24,783	1,619	1,635	10,598	23,148	0	0
SUBTOTAL BASE ADJUSTMENTS	12,217	24,783	1,619	1,635	10,598	23,148	0	0
BASE BUDGET	299,696	312,262	3,998	4,014	295,698	308,248	0	0

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MINN STATE RETIREMENT SYSTEM

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
OTHER REVENUES:									
GENERAL	725	655	653	653	653	653	653	(2)	-.2%
CORRECTIONAL EMPLOYEES RETIRE	14,377	13,993	14,717	14,716	14,716	14,716	14,716	722	2.5%
STATE EMPLOYEES RETIREMENT	131,362	147,680	129,490	129,480	129,480	129,480	129,480	(18,210)	-6.6%
HIGHWAY PATROL RETIREMENT	9,769	13,163	22,257	9,757	9,757	9,757	9,757	(15,906)	-44.9%
UNCLASSIFIED EMPLOYEES RETIRE	7,827	8,462	8,897	8,697	8,697	8,697	8,697	35	.2%
DEFERRED COMPENSATION	37,756	53,050	42,045	42,045	42,045	42,045	42,045	(11,005)	-11.6%
JUDICIAL RETIREMENT	6,536	8,474	7,427	7,427	7,427	7,427	7,427	(1,047)	-6.6%
Total Non-Dedicated Receipts	208,352	245,477	225,486	212,775	212,775	212,775	212,775	(45,413)	-9.6%
Agency Total Revenues	208,352	245,477	225,486	212,775	212,775	212,775	212,775		-9.6%

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MINN STATE RETIREMENT SYSTEM

Program: MN STATE RETIREMENT SYSTEM

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
DEFERRED COMPENSATION	22,485	27,050	20,982	22,594	22,594	24,331	24,331	(1,107)	-2.3%
HWY PATROL RETMNT	14,749	18,450	20,358	21,984	21,984	23,740	23,740	6,916	17.8%
CORRECTIONAL EMPL RETMNT	6,768	8,754	9,702	10,470	10,470	11,300	11,300	3,314	18.0%
UNCLASSIFIED EMPL RETMNT	3,698	5,513	6,079	6,376	6,376	6,566	6,566	1,350	11.6%
STATE EMPL RETMNT	165,520	194,359	211,241	217,715	217,715	224,243	224,243	36,358	9.0%
MSRS ADMINISTRATION	3,099	3,341	3,663	3,846	3,846	4,038	4,038	880	12.6%
Total Expenditures	216,319	257,467	272,025	282,985	282,985	294,218	294,218	47,711	9.0%

FINANCING BY FUND:							
OPEN APPROPRIATIONS:							
CORRECTIONAL EMPLOYEES RETIRE	6,768	8,754	9,702	10,470	10,470	11,300	11,300
STATE EMPLOYEES RETIREMENT	168,619	197,700	214,904	221,561	221,561	228,281	228,281
HIGHWAY PATROL RETIREMENT	14,749	18,450	20,358	21,984	21,984	23,740	23,740
UNCLASSIFIED EMPLOYEES RETIRE	3,698	5,513	6,079	6,376	6,376	6,566	6,566
DEFERRED COMPENSATION	22,485	27,050	20,982	22,594	22,594	24,331	24,331
Total Financing	216,319	257,467	272,025	282,985	282,985	294,218	294,218

FTE BY EMPLOYMENT TYPE:							
FULL TIME	35.1	36.8	36.8	44.7	44.7	44.7	44.7
PART-TIME, SEASONAL, LABOR SER	5.6	4.8	4.8	4.5	4.5	4.5	4.5
OVERTIME PAY	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Total Full-Time Equivalent	40.9	41.9	41.9	49.5	49.5	49.5	49.5

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MINN STATE RETIREMENT SYSTEM

Program: MN STATE RETIREMENT SYSTEM

Activity: MSRS ADMINISTRATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,948	2,124	2,405	2,525	2,525	2,651	2,651	647	14.3%
OPERATING EXPENSES	1,150	1,216	1,258	1,321	1,321	1,387	1,387	234	9.5%
OTHER EXPENSES	1	0	0	0	0	0	0	0	
SUBTOTAL STATE OPERATIONS	3,099	3,340	3,663	3,846	3,846	4,038	4,038	881	12.6%
CAPITAL OUTLAY	0	1	0	0	0	0	0	(1)	-100.0%
Total Expenditures	3,099	3,341	3,663	3,846	3,846	4,038	4,038	880	12.6%
<u>FINANCING BY FUND:</u>									
OPEN APPROPRIATIONS:									
STATE EMPLOYEES RETIREMENT	3,099	3,341	3,663	3,846	3,846	4,038	4,038		
Total Financing	3,099	3,341	3,663	3,846	3,846	4,038	4,038		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	35.1	36.8	36.8	44.7	44.7	44.7	44.7		
PART-TIME, SEASONAL, LABOR SER	5.6	4.8	4.8	4.5	4.5	4.5	4.5		
OVERTIME PAY	0.2	0.3	0.3	0.3	0.3	0.3	0.3		
Total Full-Time Equivalent	40.9	41.9	41.9	49.5	49.5	49.5	49.5		

2000-01 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 48 retirement plans in accordance with M.S. Sect. 353, 353A, 353D and 356. PERA's membership includes more than 211,000 public employees and 2,100 separate governmental subdivisions within the state, as defined in M. S. 353.01 subd6.

The mission of PERA is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality of benefits and services. PERA's future 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 83 full-time staff and is under the direction of an Executive Director 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 and refund payments.

PERFORMANCE SUMMARY:

Growing membership and legislative changes over the years has significantly increased the volume and the complexity of the work with little offsetting increases in staff or technology improvements.

REVENUES:

Member and employer contributions, investment earnings, and income from other sources cover the liability for present and future benefits. Each membership category of the defined benefit retirement plans within the association has a specific contribution and benefit provisions.

- Basic. Includes employees who are not covered by Social Security.
Payroll contribution rates: employee = 8.75% and employer = 11.43%.
- Coordinated. Includes employees who also contribute to Social Security.
Payroll contribution rate: employee = 4.75% and employer = 5.18%.

- Correctional. Coordinated regional correctional facility employees with an additional disability benefit.
Payroll contribution rate: employee = 4.96% and employer = 5.49%.
- Police and Fire. Consists mainly of police officers, fire fighters.
Payroll contribution rates: employee = 7.6% and employer = 11.4%.
- Police and Fire Consolidated. Police officers and fire fighters employed by local relief associations who transferred 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, physicians and ambulance service personnel. Elected officials and physicians each contribute 5% of salary to the plan which employers match; contributions for ambulance service personnel are determined by the employer. Typically, administrative costs and investment fees represent approximately 1% of agency revenue. 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.

EXPLANATION OF AGENCY'S BUDGET PLAN:

PERA's strategic plan focuses on redesigning the way PERA delivers its services. Objectives include improving efficiency and productivity, reducing rework and hand-offs, and decreasing fragmented work design. Key project initiatives that will be implemented during the F.Y. 2000-01 biennium include the following:

- Implement and deliver the full range of customer services including general information, personal information, estimates, education, payments, and improved appeals processing.
- Define and develop new products and services that improve services and benefits including legislative initiatives, education modules and new or revised benefit plans.
- Collect and organize information required to define and deliver services by capturing data at its source and making it easier for employers to comply with standardized reporting requirements.
- Integrate internal financial systems, establish linkages with state-wide accounting systems, and streamline financial reporting of information.
- Build the technology, human resources, and administrative infrastructure required to deliver the above programs and ensure Year 2000 compatibility.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC EMPLOYEES RETIRE ASSOC

Program: PUBLI EMP RE TR ASN

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
PERA ANNUITIES & REF	367,624	440,914	465,098	498,111	498,111	535,442	535,442	127,541	14.1%
PERA POLICE & FIRE	44,091	57,354	59,118	63,552	63,552	68,318	68,318	15,398	13.2%
PERA CONSOLIDATED	47,713	61,622	69,411	74,419	74,419	79,423	79,423	22,809	17.4%
PERA DEFINED	492	520	750	800	800	850	850	380	29.9%
Total Expenditures	459,920	560,410	594,377	636,882	636,882	684,033	684,033	166,128	14.4%

FINANCING BY FUND:									
OPEN APPROPRIATIONS:									
POLICE AND FIRE CONSOLIDATED	47,713	61,622	69,411	74,419	74,419	79,423	79,423		
PUBLIC EMPLOYEES RETIREMENT	364,768	438,104	463,598	498,111	498,111	535,442	535,442		
POLICE AND FIRE	44,091	57,354	59,118	63,552	63,552	68,318	68,318		
STATUTORY APPROPRIATIONS:									
PERA DEFERRED COMPENSATION	492	520	750	800	800	850	850		
PUBLIC EMPLOYEES RETIREMENT	2,856	2,810	1,500	0	0	0	0		
Total Financing	459,920	560,410	594,377	636,882	636,882	684,033	684,033		

FTE BY EMPLOYMENT TYPE:									
FULL TIME	66.0	68.1	83.0	83.0	83.0	84.0	84.0		
PART-TIME, SEASONAL, LABOR SER	3.0	6.8	6.8	6.8	6.8	6.8	6.8		
OVERTIME PAY	1.4	2.3	2.3	2.3	2.3	2.3	2.3		
Total Full-Time Equivalent	70.4	77.2	92.1	92.1	92.1	93.1	93.1		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: PUBLIC EMPLOYEES RETIRE A

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	592,867	592,867	0	0	592,867	592,867	0	0
BASE ADJUSTMENTS								
OPEN APPR. FORECAST ADJ.	44,015	91,166	0	0	44,015	91,166	0	0
SUBTOTAL BASE ADJUSTMENTS	44,015	91,166	0	0	44,015	91,166	0	0
BASE BUDGET	636,882	684,033	0	0	636,882	684,033	0	0

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC EMPLOYEES RETIRE ASSOC

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<u>NON-DEDICATED REVENUE:</u>									
OTHER REVENUES:									
PERA DEFERRED COMPENSATION	1,362	1,467	2,000	2,500	2,500	3,000	3,000	2,033	58.6%
POLICE AND FIRE CONSOLIDATED	32,148	56,743	60,000	60,000	60,000	60,000	60,000	3,257	2.8%
PUBLIC EMPLOYEES RETIREMENT	264,699	294,284	350,000	400,000	400,000	450,000	450,000	205,716	31.9%
POLICE AND FIRE	65,784	71,888	100,000	125,000	125,000	150,000	150,000	103,112	60.0%
Total Non-Dedicated Receipts	363,993	424,382	512,000	587,500	587,500	663,000	663,000	314,118	33.5%
<u>DEDICATED RECEIPTS:</u>									
OTHER SOURCES:									
PUBLIC EMPLOYEES RETIREMENT	2,907	2,923	1,000	0	0	0	0	(3,923)	-100.0%
Total Dedicated Receipts	2,907	2,923	1,000	0	0	0	0	(3,923)	-100.0%
Agency Total Revenues	366,900	427,305	513,000	587,500	587,500	663,000	663,000	310,195	33.0%

2000-01 Biennial Budget

AGENCY: Teachers Retirement Association (TRA)

AGENCY DESCRIPTION:

The mission of the Teachers Retirement Association (TRA) is to administer post-employment benefits for its members. Currently, TRA serves nearly 120,000 active, inactive, and retired members. The management of the Association is vested in a Board of Trustees consisting of 8 members, 5 of whom are elected from the active or retired membership. The Board of Trustees appoints an Executive Director to administer the daily operations of the Association.

<u>At June</u>	<u>Active Members</u>	<u>Inactive Members</u>	<u>Benefit Recipients</u>
1998	68,247	23,751	27,696
1997	68,554	23,009	25,681
1996	68,490	22,211	24,307

EXPLANATION OF AGENCY'S BUDGET PLAN:

The main source 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, refund of employee contributions plus interest and administration.

TRA will continue to make accurate and timely monthly benefit payments to approximately 27,000 benefit recipients. Up to 2,000 new retirees are expected to be added annually during the biennium. TRA provides preretirement counseling services in the TRA office and at multiple outstate counseling sites. Benefit payments account for over 98% of TRA budgeted expenditures.

The main administrative focus beyond the payment of benefits during F.Y. 2000-01 will be the continuation of the reengineering, systems design and development work of the TRA 2000 Project. The TRA Board of Trustees on 6-11-96 approved a \$6.9 million, 5-year budget to reengineer TRA basic work processes and modernize the underlying computer data systems. Due to the labor shortage in the computer programming industry and the Year 2000 issue (Y2K), we believe this amount is now underestimated. We are presently working to update this budget estimate for presentation to the Board of Trustees in 1999 prior to the issuance of the Request for Proposal (RFP) to rewrite our data systems. TRA believes that the work to administratively prepare for the certain flood of retirees within the next decade must occur now. Our goal is that with improved processes and rewritten

systems, TRA will be ready to meet the administrative challenges of continuing to offer quality pre-retirement counseling services and to distribute timely and accurate payments to an ever-increasing base of benefit recipients.

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 decade. Our actuaries expect the number of retirees to grow over the next decade as retirees live longer and the beginning of the "baby boom" generation starts to retire.

The actuaries predict that the number of retirements annually processed will rise over 50% to approximately 3,000 in the year 2010. TRA is also experiencing increasing demand to provide more retirement information earlier in a person's career, competition from alternative pension providers and a higher expectations of customer services from our members. To address these demands, TRA is reengineering its underlying work processes as part of its TRA 2000 Project. In early 1999, TRA will implement a project to electronically image its paper documents into electronic form to improve administrative processing and provide for disaster recovery. Computer applications, first written nearly 25 years ago, will be completely rewritten after the underlying administrative process have been analyzed and reengineered. In the summer of 1999, TRA intends to issue a (RFP) to procure the necessary analysis and programming services.

A number of new initiatives also are planned:

- establish automated processes to help members obtain account information and benefit estimates either through telephone or through TRA's home page on the world-wide web;
- expand and enhance the quality of preretirement presentation and counseling sessions throughout the state;
- redesign and improve benefit estimates and other information provided on annual statements of account for both active and inactive members;
- enhance member education concerning the calculation and importance of their building TRA benefits through new and revised publications and features on our world-wide web site.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TEACHERS RETIREMENT ASSOC

Program: TEACHERS RETIRE ASN

Activity: TEACHERS RETIRE ASN

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	2,701	3,057	3,700	4,050	4,050	4,200	4,200	1,493	22.1%
OPERATING EXPENSES	2,645	2,919	4,682	5,299	5,299	8,299	8,299	5,997	78.9%
OTHER EXPENSES	437,871	539,444	666,000	732,000	732,000	800,000	800,000	326,556	27.1%
SUBTOTAL STATE OPERATIONS	443,217	545,420	674,382	741,349	741,349	812,499	812,499	334,046	27.4%
LOCAL ASSISTANCE	2	3	0	0	0	0	0	(3)	-100.0%
Total Expenditures	443,219	545,423	674,382	741,349	741,349	812,499	812,499	334,043	27.4%

FINANCING BY FUND:							
OPEN APPROPRIATIONS:							
TEACHERS RETIREMENT	443,219	545,423	674,382	741,349	741,349	812,499	812,499
Total Financing	443,219	545,423	674,382	741,349	741,349	812,499	812,499

REVENUE COLLECTED:							
NONDEDICATED							
TEACHERS RETIREMENT	373,702	267,451	260,842	273,842	273,842	287,492	287,492
Total Revenues Collected	373,702	267,451	260,842	273,842	273,842	287,492	287,492

FTE BY EMPLOYMENT TYPE:							
FULL TIME	53.9	58.6	58.6	68.0	68.0	68.0	68.0
PART-TIME, SEASONAL, LABOR SER	1.1	2.5	2.5	2.5	2.5	2.5	2.5
OVERTIME PAY	1.0	1.5	1.5	1.5	1.5	1.5	1.5
Total Full-Time Equivalent	56.0	62.6	62.6	72.0	72.0	72.0	72.0

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **TEACHERS RETIREMENT ASS**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	674,382	674,382	0	0	674,382	674,382	0	0
BASE ADJUSTMENTS								
OPEN APPR. FORECAST ADJ.	66,967	138,117	0	0	66,967	138,117	0	0
SUBTOTAL BASE ADJUSTMENTS	66,967	138,117	0	0	66,967	138,117	0	0
BASE BUDGET	741,349	812,499	0	0	741,349	812,499	0	0

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2000-01 Biennial Budget

AGENCY: Minneapolis Employees' Retirement Fund

AGENCY DESCRIPTION:

The Minneapolis Employees' Retirement Fund (MERF) was established in law in 1919. The fund provides survivor and disability benefits to active members and retirement benefits to retired members. Members are not covered by social security and are considered basic plan members. The MERF fund was closed to new members on 7-1-78. All employees hired after that date are members of the Public Employees Retirement Association (PERA).

There are currently 1,551 active members in the fund. Employer units, in order of number of active members, are the city of Minneapolis, Minneapolis Special School District No. 1, Metropolitan Airports Commission, Metropolitan Waste Control Commission, and the Minnesota State College and University System.

MERF is a cost sharing multiple employer plan governed by a 7-member board and administered by an executive director, who serves under contract with the board. The city of Minneapolis has 2 voting members on the board, including the mayor and a representative from the Minneapolis city council. MERF retains professional money managers to manage the assets of the fund and employs the services of an investment consulting firm to conduct searches, monitor performance and insure compliance with various regulatory requirements. The fund also has an investment advisory panel that oversees all investment decisions of the fund.

The fund's current assets are \$1.21 billion and its accrued actuarial liability is \$1.4 billion, for a funding ration of 89.37%. Its current unfunded liability is \$143.6 million.

Current Fund Status:

Retirees	4,906
Deferred Retirements	238
Active Members	1,551
Projected Payroll	\$70,132,000
Average Age	52
Average Service	25.4
Current Assets	\$1,207,065
Actuarial Accrued Liability	<u>1,350,683</u>
Funding Ratio	89.37

REVENUES:

Employers and the state are making supplemental payments so that the unfunded liability will be eliminated by the year 2020. State law (M.S. 422A) establishes the formula for allocating obligations among contributors. The annual contribution is based on an annual level dollar payment. Fund employers contribute 2.68% of payroll plus \$3.9 million. The remainder is paid by the state up to a maximum annual contribution of \$9.55 million (Laws of 1997, Ch. 345). The state pays roughly 50% of the total supplemental contribution.

Based on the fund's actuarial report for 7-1-98, the state contribution may be decreased to \$8.174 million in F.Y. 1999 and \$5.892 million per year beginning in F.Y. 2000. Growth in the value of assets has decreased the unfunded liability and the need for supplemental contributions.

In addition, M.S. 422A requires that the state pay the full amortized cost of supplemental benefits for pre-1973 retirees, capped at \$550,000 per year and through F.Y. 2001. Budgeted expenditures are reduced by this amount beginning in 2002.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial reduction from base funding of \$6.216 million for 2000-2001 and an additional biennial reduction of \$1.1 million for 2002-2003.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MPLS PENSIONS/RETIREMENT
Program: MPLS EMPLOYEE RETIREMENT
Activity: MPLS EMPLOYEE RETIREMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
LOCAL ASSISTANCE	11,005	11,005	8,723	9,550	6,442	9,550	6,442	(6,844)	-34.7%
Total Expenditures	11,005	11,005	8,723	9,550	6,442	9,550	6,442	(6,844)	-34.7%
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	11,005	11,005	8,723	9,550	6,442	9,550	6,442		
Total Financing	11,005	11,005	8,723	9,550	6,442	9,550	6,442		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **LOCAL POLICE & FIRE AMORT**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	11,602	11,602	11,602	11,602	0	0	0	0
BASE ADJUSTMENTS								
OPEN APPR. FORECAST ADJ.	<3,046>	<4,357>	<3,046>	<4,357>	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	<3,046>	<4,357>	<3,046>	<4,357>	0	0	0	0
BASE BUDGET	8,556	7,245	8,556	7,245	0	0	0	0

2000-01 Biennial Budget

AGENCY: 1st Class City Teachers' State Aid

AGENCY DESCRIPTION:

Three teachers' retirement funds receive special state aid. The largest amounts go to Minneapolis and St. Paul and are described below. The Duluth Teachers Fund also receives annual funding to amortize unfunded liability.

The Minneapolis Teachers' Retirement Fund Association (MTRFA)

The 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. They established levy authority for the Minneapolis School District and city to raise revenues to make an additional contribution to the Fund (Laws 1993, Chap. 357, Sec. 3, modifying M.S. 354A.12).

The law also established a state match of these additional contributions, up to a maximum of \$2,500,000 in any state fiscal year. Hence, the law provides a potential combined 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:

- 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); and
- 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 MTRF is also eligible for special direct state aid (law 1997, Chap. 233, Art. 3, Sec. 4, modifying M.S. 354A.12) in the amount of \$12,954,000 annually.

In addition to this State Aid, the agency is eligible for "Redirected Local Police and

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 Police and Fire Amortization Aid is reduced by approximately \$2.2 million for the year [See Local Police and 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 \$1,590,991 in F.Y. 1998.

Beginning 7-1-98, the city and Special School District No. 1 are each required to make additional contributions to the fund increasing annually to a combined total of \$2,000,000 in 2003.

Funding

Statutory Contributions	28.61%
Required Contributions	<u>28.23%</u>
Deficiency	0.38%

Current Assets	\$673,209,000
Actuarial Accrued Liability	<u>1,173,412,000</u>
Funded Ratio	57.37%

Plan Participants

Active Members	4,653
Members on Leave of Absence	77
Projected Payroll	\$194,183,000
Average Annual Earnings	539,160
Average Age	42.7
Average Service	10.1

Service Retirements	2,614
Disability Retirements	21
Survivors	232
Deferred retirements	669
Terminated/Non-vested	1,311

The St. Paul Teachers' Retirement Fund Association (StP-TRFA)

The StP-TRFA was established in 1909 to provide retirement benefits for all certified personnel of the Saint Paul Public Schools, ISD #625.

2000-01 Biennial Budget

AGENCY: 1st Class City Teachers' State Aid (Continuation)

The StP-TRFA is receiving insufficient statutory funding to achieve full funding by the target date of 2020. However, significant improvement has been made in the past 3 years. In 1996, StP-TRFA became eligible for "Redirected Local Police and Fire Amortization Aid" (Laws 1996, Ch. 438, Art. 4). If the investment performance is sufficient and the Minneapolis Policy and/or Fire Relief Associations pay a "13th Check" post-retirement increase, the state Police and Fire Amortization Aid is reduced by approximately \$2.2 million for the year. This amount is then reallocated among the Minneapolis and St. Paul Teacher Retirement Funds, along with local volunteer fire relief associations. StP-TRFAs share of that "reallocated aid" was \$681,000 in 1998.

Under this law the St. Paul School district must also contribute the following amounts. F.Y. 1998 - \$200,000; F.Y. 1999 - \$400,000; F.Y. 2000 - \$600,000; F.Y. 2001 and thereafter - \$800,000.

In 1997, the legislature and the Governor attempted to solve the funding problem of this fund by creating a statutory appropriation of \$4,827,000 on 10-1-97 and \$2,827,000 on 10-1-98 and each October 1 thereafter (Laws 1997, Ch.233, Art.3). This aid terminates the first year that StP-TRFAs accrued liability equals or exceeds that of the statewide Teachers' Retirement Association (TRA) as reflected in the most recent actuarial report prepared by the consulting actuary of the Legislative Commission on Pensions and Retirement.

Funding

Statutory contributions	15.91%
(Combined employer and em-	
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 the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: 1ST CLASS CITY TEACHERS ST AID

Program: 1ST CLASS CITY TEACHERS ST AID

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
ST PAUL 97 CH230 UNIFORM BILL	556	4,827	2,827	2,827	2,827	2,827	2,827	(2,000)	-26.1%
MPLS 93 CH357 MATCHING	2,482	2,482	2,500	2,500	2,500	2,500	2,500	18	.4%
MPLS 97 CH230 UNIFORM BILL	0	17,954	12,954	12,954	12,954	12,954	12,954	(5,000)	-16.2%
DULUTH 97 CH230 UNIFORM BILL	0	486	486	486	486	486	486	0	.0%
Total Expenditures	3,038	25,749	18,767	18,767	18,767	18,767	18,767	(6,982)	-15.7%

FINANCING BY FUND:									
OPEN APPROPRIATIONS:									
GENERAL	3,038	25,749	18,767	18,767	18,767	18,767	18,767		
Total Financing	3,038	25,749	18,767	18,767	18,767	18,767	18,767		

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