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Department of Administration
Budget Overview
March 2, 2005



**The Mission of the Department of
Administration is to lead state
government in delivering quality
products and services faster, better
and more cost-effectively**



Grading the States 2005 – B+

- Contracting and purchasing
- Workforce training and development
- Infrastructure management
- Information and technology management

FY2006 Base Budget

(Before reductions)

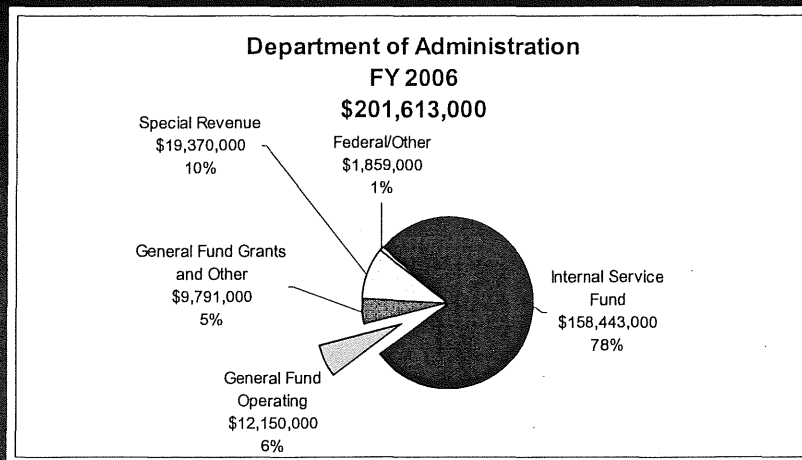
Internal Service Fund	\$158,443,000	77.7%
Special Revenue Fund	\$19,370,000	9.5%
General Fund Grants/Other	\$9,841,000	4.8%
Federal/Gift/Other	\$1,859,000	0.9%
General Fund Operating	\$14,395,000	7.1%
Total	\$203,908,000	100%

FY2006 Budget

(After reductions)

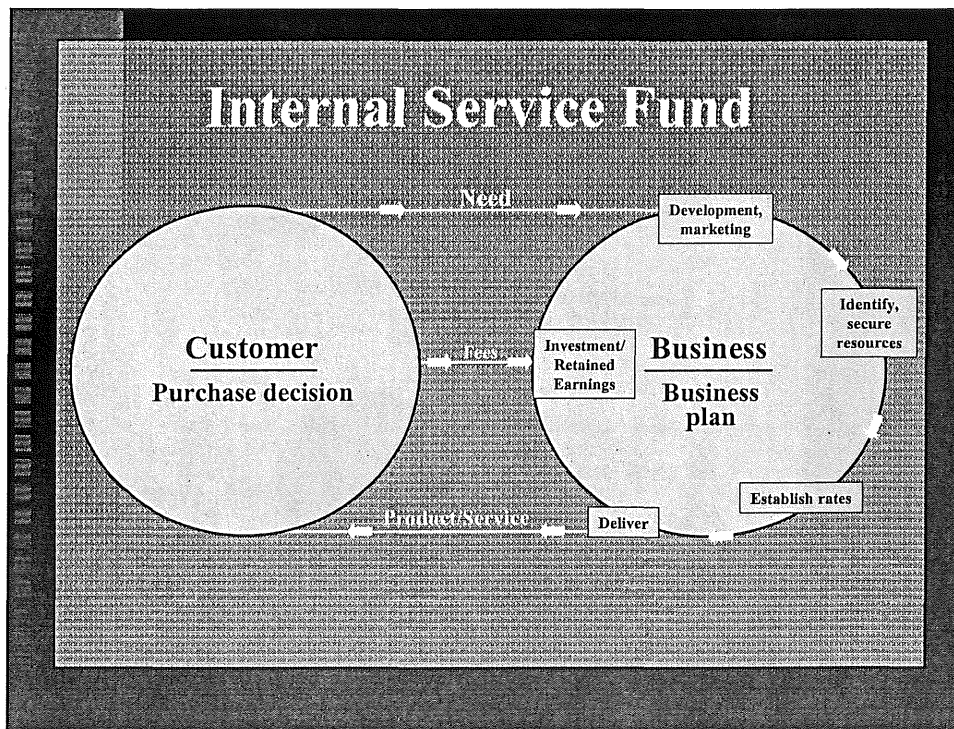
Internal Service Fund	\$158,443,000	78.6%
Special Revenue Fund	\$19,370,000	9.6%
General Fund Grants/Other	\$9,791,000	4.9%
Federal/Gift/Other	\$1,859,000	0.9%
General Fund Operating	\$12,150,000	6.0%
Total	\$201,613,000	100%

FY2006 Budget – \$201,613,000



Internal Service Funds

- Fee-based agency payment for goods, services
- Established and operated under state statute, federal rules, state policies
- Managed through business planning, rate-setting processes
- Financial accountability through audits, financial reporting



InterTechnologies Group

- **Three business areas**
- **3 percent overall rate reduction in FY06**
- **Significant investments in data storage, call center**
- **Computing services**
 - ◆ **Integrate and operate centralized computer facilities**
 - ◆ **Aggregate demand**
 - ◆ **Minimize redundancy**
 - ◆ **Continuous improvement; cost reduction**

InterTechnologies Group

- **Telecommunications services**
 - ◆ **Manage all state telecom facilities, services**
 - ◆ **Plan, develop, operate information infrastructure**
 - ◆ **Provide cost-effective transmission services**
- **Risk mitigation IT services**
 - ◆ **Leverage enterprise-wide business processes and IT**
 - ◆ **Share services for safeguarding and protecting sensitive and private information**
 - ◆ **Ensure continuity of the state's critical IT infrastructure and operations**

Plant Management

- **Maintains:**
 - ◆ **3.5 million gross square feet of space**
 - ◆ **20 buildings**
 - ◆ **21 monuments and memorials**
- **Housekeeping**
- **Building management and engineering**
- **Refuse and snow removal**
- **Grounds and ceremonial space maintenance**
- **Trades and repair services**
- **Moving, equipment rental and delivery service**

Risk Management

- **The state's internal insurance company**
- **Serves state agencies, boards, commissions**
- **Property, casualty insurance coverage**
- **May purchase commercial insurance based on agency needs**
- **Risk, insurance management consulting**

Central Mail

- **Mail processing (General Fund)**
 - ◆ Metering
 - ◆ Federal mail processing for agencies in St. Paul
 - ◆ Postage clearing account
- **Addressing and inserting services (ISF)**
 - ◆ Inserting, addressing, folding, warrant processing
- **\$1M-plus postage savings in FY04**

Minnesota's Bookstore State Register

- **Minnesota's Bookstore**
 - ◆ Centralized publishing for agency-produced products
 - ◆ Online, phone, mail, walk-in and fax orders
 - ◆ Expect 70,000-plus customers in FY2005
- **State Register**
 - ◆ Official publication for state notices, rules, professional/technical contracts, state grants and loans
 - ◆ Published each Monday
 - ◆ Available online and in print

Travel Management

- **Fleet management services for state programs and political subdivisions**
- **Implementing shared fleet management information system w/DOT, DNR**
- **State-owned vehicles decline:**
 - ◆ **Total fleet declines 8.6 percent: 12,208 to 11,242**
 - ◆ **Light-duty fleet declines 6 percent: 6,625 to 6,250**
 - ◆ **Admin current passenger vehicle fleet is 1,482**

Surplus Services

- **State's redistribution center for state and federal surplus property**
- **Live and online auctions**
- **Daily 'garage sale' at warehouse**
- **Returned \$5.6 million to agencies in '04**
- **Distributed \$4.2 million in federal surplus property**

Cooperative Purchasing

■ Cooperative Purchasing Venture (CPV):

- ◆ Membership program for local government for purchasing goods and services on state contracts

■ Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP):

- ◆ Combines purchasing power of member organizations for pharmaceuticals, hospital supplies and related products
- ◆ 43 states and City of Chicago

Cooperative Purchasing

■ Western States Contracting Alliance

- ◆ Personal computers and related equipment
- ◆ Volume contracting for combined purchasing power
- ◆ 49 states, 300-plus other public entities
- ◆ Members purchased \$1.8 billion in computers in '03

Office Supply Connection

- **Aggregating demand generates savings**
- **Nearly 1,000 stocked items**
- **22,000 items available through catalog**
- **Half of orders processed electronically**
- **No-cost statewide delivery; central billing**

Management Analysis

- **Provides custom-designed services and training for public service clients**
- **Fee-for-service operations**
- **Strategic planning, business process improvement, management training**
- **About 120 engagements annually**

Special Revenue Fund

■ Building Codes

- ◆ **Administers state construction codes**
- ◆ **Inspects elevators**
- ◆ **Regulates manufactured structures**
- ◆ **Certification and training for building officials**
- ◆ **Reviews plans for public buildings**
- ◆ **Provides natural disaster assistance**

Special Revenue Fund

■ Parking

- ◆ **Maintain and manage Capitol Complex facilities**
- ◆ **Manage parking contract program**
- ◆ **Coordinate alternative transportation services**

■ Facilities Repair and Replacement

- ◆ **Repairs to facilities under Admin custodial control**
- ◆ **3 million gross square feet of space in 16 buildings**
- ◆ **Preventive maintenance; planned, coordinated repair**

General Fund – Grants/Other

■ In-lieu of Rent

- ◆ Pass-through account for GF appropriations
- ◆ Ceremonial space, Services for the Blind vending, State Capitol, SOB, Veterans Service Building

■ Public broadcasting

- ◆ Grant administration for public television, public radio (AMPERS and MPR) and cable television

General Fund

■ Resource Recovery

- ◆ Promotes waste reduction and recycling
- ◆ Prepares recyclables for market

■ Energy management

- ◆ Conducts energy efficiency improvements and retrofit projects in state-owned buildings

General Fund

■ Information Policy Analysis

- ◆ Center for data privacy policy and issues
- ◆ Resource for public, government, media
- ◆ More than 700 advisory opinions issued

■ Materials Management

- ◆ Manages \$1.7 billion annually in state procurement
- ◆ Manages \$2 billion-plus through MMCAP, WSCA
- ◆ Negotiates, manages over 1,500 contracts
- ◆ Reviews over 4,500 P/T contracts per year

Budget principles

- Focus on fundamentals
- Minimize reductions that would pass costs to others
- Assure best value
- Capitalize on opportunities for improving cost-effectiveness

Admin base level reduction:

\$2,245,000

Admin Operational Reductions:

\$507,000

- **Systematic review of general-funded operations**
- **Preserve core functions**
- **Manage change through productivity increases**
- **Maintain or improve established measures and quality levels**

Land Management Information Center reduction: \$837,000

- **GIS Clearinghouse activities continue**
- **GIS Decision Support functions end**
- **Continue support for Governor's Council on Geographic Information**
- **LMIC services available on cost-recovery basis**

Local Planning Assistance Center elimination: \$299,000

- **Created in 1997**
- **Technical assistance, data and planning advice**
- **Exploring alternative approaches for continuing services**

Office of Technology restructuring: \$602,000

- **Initial phase of anticipated transition to enterprise management structure**
- **Benefits to state:**
 - ◆ Interoperability
 - ◆ Collaboration
 - ◆ Leveraging of shared services
- **Benefits to citizens and business partners:**
 - ◆ Government services that are closer, more accountable and more convenient

Revenue rent payment

- **One-time reduction of \$1.7 million**
 - ◆ Retained earnings in excess of working capital
 - ◆ Unanticipated because of 'newness' of building
 - ◆ Based on Revenue's current square footage
 - ◆ Reflected in next rate setting for one year (FY06)
- **Stassen Building space vacation**
 - ◆ Revenue considering vacation of 14,000-20,000 sq. ft. FY07
 - ◆ Lease savings by Revenue would be minimal
 - ◆ Admin will review potential options for leasing space
 - ◆ Potential moves currently unfunded

Drive to Excellence

- **Cost: \$2.5 million competitive contract with Deloitte**
- **Source: 2003 InterTech retained earnings**
- **Investment in enterprise R&D**
- **Consulted with:**
 - ◆ Federal HHH auditors on the definition of R&D funding
 - ◆ Multi-agency panel review of InterTech rates by Finance

The Drive to Excellence Team

Deloitte	Minnesota
<p>Consulting team: 31 FTEs National subject matter experts: 15</p>	<p>Cabinet-level Steering Committee and Enterprise Work Group: 20 Team members: 185 Subject matter experts: Line employees from 66 agencies</p>
<p>Developed and executed project work Day-to-day project management Led survey, interviews, idea generation and business case development teams Provided national and international research and best practices Prepared final documents Utilized technical tools and processes for IT and business process mapping</p>	<p>Conducted surveys, interviews, research Developed opportunities, business cases Directed Project Management Team Set goals, direction and approved results</p>

Results/Deliverables

- Inventories of IT assets, business functions
- Evaluation of state's business processes
- Identification of improvement opportunities
- Business cases for 24 initiatives
- 'Transformation Roadmap'

Reverse auction purchasing

- First use in 2001; 144 auctions to date
- \$1.9 million in savings through FY05
- \$4.6 million extended potential savings
 - ◆ Copy paper: \$1.2 million
 - ◆ High visibility garments: \$306,000
 - ◆ Mobile traffic radar units: \$550,000
- Authority for service auctions in 2003
 - ◆ Computer and engineering design services
 - ◆ IT service contracts for CrIMNet: \$41,000
 - ◆ Master contract registrations at 272 and counting

John LaVine

Reason for Retaining the Local Planning Assistance Function

1. The Local Planning Assistance Center, contrary to the Governor's Change Item for the Department of Administration justifications for the same, is the only state-wide source for land use planning and zoning information for out-state local governments AND individual citizens on a non-fee basis.
2. The Local Planning Assistance Center, contrary to the Governor's Change Item for the Department of Administration justifications for the same, is the only that has (excepting the MetCouncil which provides the same services to its 7 county local units of government), in house, the staff and resources to competently and objectively advise Minnesota local units of government on their land use planning and zoning question, or more importantly, direct them to where they can get their definite answers.
 - a. Not all out-state cities, towns and counties are served by regional development commissions (RDCs). There are three areas of the state without RDCs.
 - b. Not all RDCs have in-house planning and zoning expertise, nor where there is some, is the level of expertise or knowledge necessarily the same among the RDCs.
 - c. The existing RDCs do not necessarily have the financial resources to support and maintain the function currently being performed by the Local Planning Assistance Center (LPCA). Their financing is limited and comes from the property tax mill levy assessed by the county members of the RDC and the individual fees for services charged for specific projects and programs that they may do for their local units of government or others..
3. The Local Planning Assistance Center, contrary to the Governor's Change Item for the Department of Administration justifications for the same, is a re-name in 1997 of a function of state government that was first legislatively established in 1965 as the State Planning Agency whose purpose then was to provide planning assistance to the state's local governments and to develop a state comprehensive plan. The function and program of providing this planning assistance has continued under various names and under all administrations up to the present and is not a relatively recent and new function...
4. The Governor, as an alternative, considers continuing the function on a "fee for services" basis. In essence, the Governor proposes that the State begin competing with the private sector in providing the on-hands administrative, technical, and management skills, knowledge and services that private consultants and firms are in the business to provide. The LPAC would actually have to be expanded and

augmented to be able to provide the level of expertise and service that a number of these private sector consultants currently possess.

5. Seventeen states, including our neighbor Wisconsin, provide the same assistance to their local units of government as the Local Planning Assistance Center provides. They all fund this service through general revenue fund appropriations.
6. The Local Planning Assistance Center embodies an investment over a period of years by the State in a capability to provide a significant service to its citizens and its local governmental units. To simply terminate the function and the unit will be to write off this state investment. The restoration of the \$299,000 line item to retain this capability and service is a very modest investment for the present and the future. To reestablish the capability at some future date would be far more costly.