

Agency Purpose

The Minnesota Department of Commerce ensures secure, stable, reliable, and equitable commercial, financial, and utility services and transactions. To provide this assurance to the people of Minnesota, the department:

- ◆ advocates to ensure equitable and reliable services;
- ◆ regulates business activity to ensure compliance, responsible business conduct, security and stability;
- ◆ investigates and resolves consumer complaints;
- ◆ safeguards consumers' rights and investments; and,
- ◆ expands economic opportunities while working to improve our environment and quality of life.

Core Functions

The Department of Commerce regulates utilities, financial institutions, licensed businesses, licensed individuals, retail businesses, and commercial activity without respect to the specific interests of either the regulated businesses or the clients they serve. The department's regulatory decisions maximize the net benefits to all residents and regulated businesses, while safeguarding the rights of consumers, and protecting policyholders and investors from financial failure.

Operations

The department enforces laws and rules, advocates on behalf of the public, and provides services to promote the financial well being of a broad constituency of individuals and businesses. To carry out its mission, the department must assess the significant consequences of every regulatory decision and enforcement action, including the impact on consumer costs, financial stability, reliability of service, the environment, and economic development. This carefully designed regulatory balance effectively protects the broad financial interests of Minnesota's businesses and consumers.

Financial Examinations Division:

⇒ Licenses, examines and regulates insurance companies, credit unions, state chartered banks, mortgage companies, finance companies and other financial institutions to ensure that they remain safe and financially solvent.

Petrofund:

- ⇒ Reimburses petroleum storage tank owners and operators for the cost of investigating and cleaning up petroleum tank releases.
- ⇒ Reimburses up to \$3,000 per facility or transport to install vapor recovery equipment in the Twin Cities.
- ⇒ Contracts to remove abandoned underground petroleum storage tanks across Minnesota.
- ⇒ Reimburses up to \$10,000 per facility to upgrade or decommission a petroleum bulk plant.

Administration:

- ⇒ Leads and directs the department, manages day-to-day operations, manages financial and human resources operations.
- ⇒ Licenses businesses and individuals according to Minnesota statutes.
- ⇒ Provides unclaimed property reclamation services to the people of Minnesota.
- ⇒ Provides information management services and technical support to the department.

At A Glance

FY 2004-05 Budget:	
\$47.6 million	General Fund
\$305.8 million	all funds
99% of General Fund appropriations recovered through fees and assessments	
Annual Business Processes:	
348,000	Consumer contacts received
10,215	Market Assurance Division investigations
\$6,300,000	Recovered by Market Assurance Division
\$16,000,000	Reimbursements from Petrofund
232	Financial institutions examined
2,004	Utility and telecom cases completed
130 MW	Electricity demand reductions
109,000	Low income households served by LIHEAP and Weatherization
\$63,000,000	Federal funds disbursed to low income households
69,000	Weights and Measures inspections
125,000	Licenses issued

Market Assurance Division:

- ⇒ Enforces compliance and responsible business conduct across a broad range of licensed occupations, including insurance agents, stock and investment brokers, realtors, builders, and cosmetologists.
- ⇒ Evaluates insurance policies and rates to ensure fair rates and to ensure compliance with Minnesota law.
- ⇒ Registers securities sold in Minnesota.
- ⇒ Ensures that telemarketing firms comply with Minnesota's "Do Not Call" statutes.

Energy & Telecommunications Division:

- ⇒ Advocates on behalf of consumers and ratepayers in proceedings relating to regulated telecommunications, gas, and electric utilities.
- ⇒ Promotes energy efficient building, conservation, alternative transportation fuels, and modern energy technologies.
- ⇒ Oversees conservation improvement programs operated by public, municipal, and cooperative utilities.
- ⇒ Administers the Low Income Home Energy Assistance Program and the Weatherization Assistance Program.
- ⇒ Promotes real competition among telecommunications companies in Minnesota.

TAM:

- ⇒ Funds telecommunications access services for deaf and hearing impaired citizens.

Weights and Measures Division:

- ⇒ Ensures accuracy in all transactions based on weight or measure.
- ⇒ Ensures consistent quality of petroleum products.
- ⇒ Provides precision mass, temperature, density and volume measurement services to businesses.

Budget

The department's FY 2004-05 budget totaled \$305.8 million. Ninety-nine percent of General Fund costs are recovered and repaid to the General Fund. Department staff includes 323.5 FTE.

Contact

Department of Commerce
Suite 500
85 7th Place East
Saint Paul, Minnesota 55101

Home Page: <http://www.commerce.state.mn.us>
Performance Measures: <http://www.departmentresults.state.mn.us>
Glenn Wilson, Commissioner
Phone: (651) 296-5769
Fax: (651) 282-2568

Information on the department's results can be found at
<http://departmentresults.state.mn.us/commerce/index.html>

Dollars in Thousands

	Current		Forecast Base		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	24,157	23,430	23,430	23,430	46,860
Forecast Base	24,157	23,430	23,180	23,180	46,360
Change		0	(250)	(250)	(500)
% Biennial Change from 2004-05					-2.6%
Petroleum Tank Release Cleanup					
Current Appropriation	1,611	1,084	1,084	1,084	2,168
Forecast Base	1,611	1,084	1,084	1,084	2,168
Change		0	0	0	0
% Biennial Change from 2004-05					-19.6%
Workers Compensation					
Current Appropriation	615	835	835	835	1,670
Forecast Base	615	835	835	835	1,670
Change		0	0	0	0
% Biennial Change from 2004-05					15.2%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	23,812	23,907	23,180	23,180	46,360
Petroleum Tank Release Cleanup	1,394	1,272	1,084	1,084	2,168
State Government Spec Revenue	55	464	0	0	0
Workers Compensation	611	839	835	835	1,670
Open Appropriations					
General	4,272	4,838	4,838	4,838	9,676
Petroleum Tank Release Cleanup	14,612	15,176	15,176	15,176	30,352
Statutory Appropriations					
State Government Spec Revenue	0	10	183	0	183
Special Revenue	12,733	19,085	20,455	19,068	39,523
Federal	85,862	94,542	94,838	94,838	189,676
Miscellaneous Agency	11	89	0	0	0
Gift	1	1	0	0	0
Total	143,363	160,223	160,589	159,019	319,608
<u>Expenditures by Category</u>					
Total Compensation	22,462	24,197	24,462	25,045	49,507
Other Operating Expenses	37,610	42,372	41,111	39,515	80,626
Local Assistance	82,991	93,193	94,808	94,251	189,059
Other Financial Transactions	300	461	200	200	400
Transfers	0	0	8	8	16
Total	143,363	160,223	160,589	159,019	319,608
<u>Expenditures by Program</u>					
Financial Examinations	9,307	10,024	9,909	9,909	19,818
Petroleum Tank Cleanup Fund	15,508	16,448	16,260	16,260	32,520
Administrative Services	5,798	5,804	5,670	5,680	11,350
Market Assurance	7,340	9,186	10,865	10,582	21,447
Energy & Telecommunications	95,956	106,790	105,926	104,625	210,551
Tam	6,355	8,730	8,734	8,738	17,472
Weights & Measures	3,087	3,141	3,125	3,125	6,250
Telecommunications	12	100	100	100	200
Total	143,363	160,223	160,589	159,019	319,608
Full-Time Equivalentents (FTE)	315.2	325.1	329.3	328.2	

Program Description

The Financial Examinations Division assures safe, sound, and solvent financial services in Minnesota. -- an assurance that consumers and businesses cannot realize without the intervention of an independent regulator like the division. Additionally, by maintaining the soundness and solvency of a large number of financial institutions, the program assures consumers and businesses that they will have access to a broad range of financial products and services at competitive prices. The Bank and Credit Union Examination unit examines all state chartered banks, trust companies, credit unions, certificate investment companies, thrift companies, and consumer credit companies. The Insurance Examination unit is designed to monitor the financial stability of insurance companies. If a company becomes financially unstable, action is taken to provide a mechanism for a return to solvency.

Program at a Glance

In FY 2002, the Financial Examinations Division regulated:

- ◆ \$32.6 billion in bank, credit union, and finance company assets.
- ◆ \$153 billion in insurance company assets

Population Served

The Financial Examinations Division serves all Minnesota consumers and businesses that rely on banks, credit unions, finance companies, and insurance companies for financial products and services

Services Provided

Bank and Credit Union Examinations

The unit conducts on-site examinations at all state-chartered banks, trust companies, credit unions, certificate investment companies, and thrift companies on a 12 to 18-month cycle (determined by institution rating). Examinations are shared between the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Bank and the National Credit Union Administration (NCUA).

The unit also examines consumer credit companies. Examinations are generally conducted on an 18-month cycle. Examinations focus on compliance issues rather than solvency or safety and soundness. There is no comparable federal regulation of the consumer credit industry.

The unit licenses residential mortgage loan origination and servicing companies. These companies are subject to market conduct requirements, but not to routine on-site examinations. In addition to the examinations, the Bank and Credit Union unit performs compliance reviews of various applications from regulated entities. Action is taken to approve or deny applications.

The Division encourages the growth of state-chartered institutions. Growth fosters competition and ensures numerous choices for consumers and business. Competition drives down the cost of financial services. Several new financial products originated in state-chartered institutions and have spread nationwide.

Insurance Company Examinations

The unit's primary focus is to ensure the financial soundness and solvency of every insurance company doing business in Minnesota. If domestic companies are financially insecure, it is Minnesota's responsibility to formulate a plan to effect compliance or close the business. If a foreign company becomes unstable, Minnesota would restrict the business they are allowed to do within the state. If an insurance company failure is unavoidable, it is the unit's responsibility to manage the transition and to minimize any negative impact on Minnesota policyholders. The goal is to give the consumer the comfort that the company they purchase insurance from will have the resources available to pay a claim.

Insurance regulation is a state responsibility because, historically, insurance was largely a local endeavor. Today, insurers are large, multi-state, multi-jurisdictional concerns, but regulation is still accomplished at the state level. There is no federal regulation of the insurance industry. The Insurance Examination unit participates in the proceedings of the National Association of Insurance Commissioners (NAIC). The NAIC generally puts forward model regulatory standards for each state to adopt. However, the department tailors these model acts and adapts them to conditions unique to Minnesota.

The unit performs two types of examinations -- the desk audit and the on-site field audit. Desk audits are based on quarterly and annual financial reports submitted by insurance companies. Auditors evaluate information, and develop a financial profile of every company doing business in Minnesota. The staff monitor each profile for change. If change occurs, an action is taken to ensure that the company will remain solvent. The second method of monitoring solvency is the tri-annual on-site examination of domestic insurers. Examiners review insurance company books and records at the company headquarters. The examination is a full and complete review of financial condition. The examination is completed by staff or by special examiners (generally accounting firms). Additionally, the unit employs an actuarial staff to calculate and verify reserve adequacy at regulated insurance companies, and in various workers' compensation issues that the unit deals with.

Historical Perspective

With respect to insurance companies, the program is partially supported by an appropriation from the General Fund. Operating costs are also paid from the insurance examination revolving fund. The balance of the revolving fund cancels at the end of every fiscal year to the General Fund. Revenues generated by this program are a result of examination fees, registration fees, licensing fees, and transaction fees.

With respect to banks, credit unions, and finance companies, the program is funded by appropriations from the General Fund, but all costs are recovered by assessments and examination fees charged to regulated entities. The assessment is billed at the beginning of a fiscal year at 103% of operating, agency indirect and Attorney General cost. The examination fee is set based on a formula calculating examiner salary and billing hours. Fees are also charged for applications relating to charter and license activity.

Key Measures

Banks, Credit Unions and Consumer Credit

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
State banks	365	358	349	345
Branch offices	336	363	357	360
Examinations conducted	149	123	124	120
Bank assets (\$ in billions)	\$20.5	\$21.2	\$22.9	\$24.0
State credit unions	125	118	110	105
Consumer credit companies	144	144	141	140
Examinations conducted	194	185	179	175
Credit union assets (\$ in billions)	\$2.9	\$3.0	\$3.2	\$3.4

Insurance

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Licensed insurance companies	1,324	1,329	1,328	1,335
New company licenses issued	29	26	30	20
Domestic insurance companies	84	83	79	75
Financial reviews conducted (desk audit)	1,350	1,350	1,350	1,350
On-site examinations	24	19	13	15

Contact

Kevin Murphy, Deputy Commissioner
 Minnesota Department of Commerce
 85 7th Place East
 St. Paul, Minnesota 55101
 E-mail: <mailto:kevin.murphy@state.mn.us>

COMMERCE DEPT

Program: FINANCIAL EXAMINATIONS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,997	5,994	5,994	5,994	11,988
Forecast Base	5,997	5,994	5,994	5,994	11,988
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,119	6,020	5,994	5,994	11,988
Statutory Appropriations					
Special Revenue	3,177	3,915	3,915	3,915	7,830
Miscellaneous Agency	11	89	0	0	0
Total	9,307	10,024	9,909	9,909	19,818
<u>Expenditures by Category</u>					
Total Compensation	5,407	5,510	5,540	5,660	11,200
Other Operating Expenses	3,900	4,514	4,369	4,249	8,618
Total	9,307	10,024	9,909	9,909	19,818
<u>Expenditures by Activity</u>					
Financial Examinations	6,130	6,109	5,994	5,994	11,988
Insurance Co Exams	3,177	3,915	3,915	3,915	7,830
Total	9,307	10,024	9,909	9,909	19,818
Full-Time Equivalent (FTE)	70.4	69.2	69.7	69.7	

Program Description

The Petroleum Tank Release Cleanup Fund (Petrofund) ensures a cleaner environment, and prevents additional pollution of Minnesota’s soil and water by providing eligible applicants with the financial wherewithal to investigate, cleanup, and stop leaks from petroleum storage tanks.

<u>Program at a Glance</u>	
◆	Over \$318 million provided in reimbursements since 1987.
◆	9,301 eligible applicants have received reimbursement.

Population Served

The Petrofund directly serves owners and operators of petroleum storage tanks, owners of property where a petroleum tank release occurred, and applicants who are ordered by the Minnesota Pollution Control Agency (MPCA) to take corrective action. Indirectly, the program serves all Minnesotans because it ensures a cleaner environment

Services Provided

The Petrofund:

- ◆ Reimburses eligible applicants for the costs associated to remediate petroleum leaks in the most cost-effective manner possible.
- ◆ Generally, evaluates and processes reimbursement applications within 30 days of receipt.
- ◆ Provides money to reduce health risks and physical dangers caused by petroleum tank releases.

Historical Perspective

The Petrofund was created by the 1987 Minnesota Legislature to reimburse underground petroleum storage tank (UST) owners and operators for the cost of investigating and cleaning up petroleum tank releases. To meet the U.S. Environmental Protection Agency’s (EPA) financial assurance requirements, UST owners and operators must document their ability to pay up to \$1 million for such costs. Minnesota, and 47 other states, established a state-financed reimbursement program to assist UST owners and operators in meeting their financial obligations.

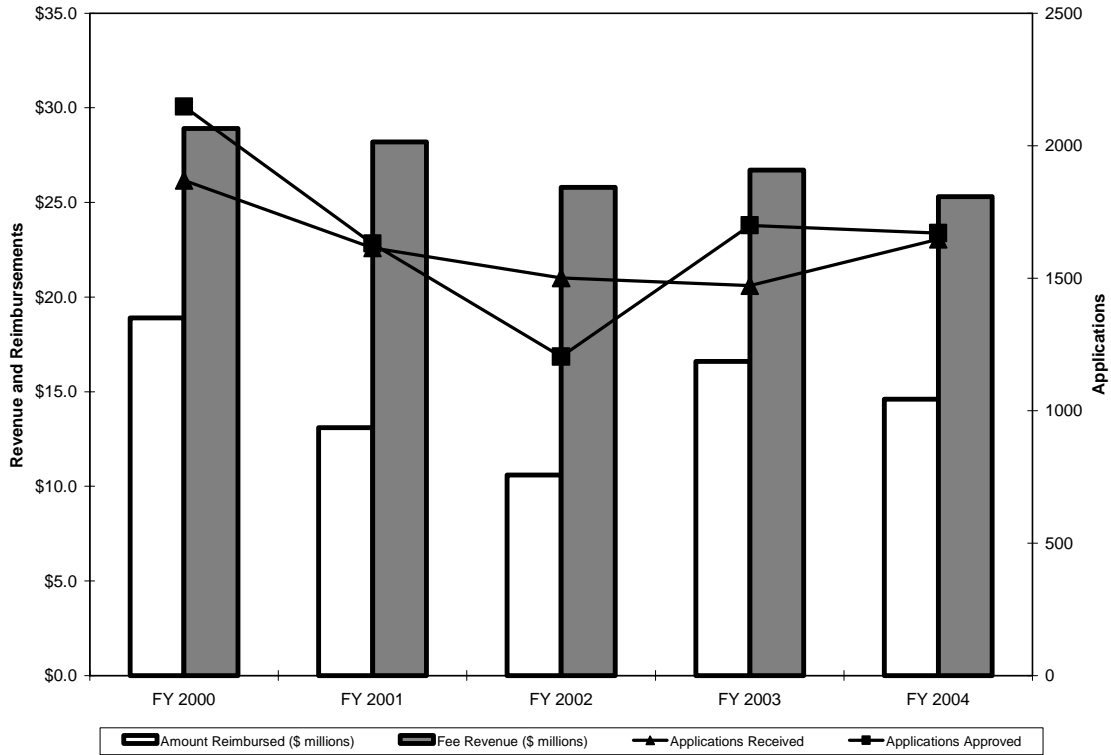
By 1987, private insurance for old USTs had become largely unavailable. With few options for tank owners and operators to meet the EPA’s mandated financial responsibility requirements, the legislature created the Petrofund to provide the necessary financial responsibility. The EPA subsequently approved the fund as an acceptable financial responsibility mechanism. Since the program’s inception, it has helped to improve the environment for all Minnesotans by enabling tank owners and operators to investigate and remediate petroleum contaminated soil and groundwater.

USTs must now meet or exceed federal requirements for leak detection and corrosion protection. As a result, the number of petroleum tank leaks reported each year has declined. However, the issues of historical contamination, ongoing cleanups, petroleum tank inspections, equipment failures, insurance, and future releases will need to be addressed by policy makers as they contemplate the program’s 6-30-07, sunset date.

The current demand on the fund of approximately \$15 million annually is expected up until the 2007 sunset date. The program is completely funded by an appropriation from the Petroleum Tank Release Cleanup Fund. Revenue into the fund is generated by a \$.02 per gallon fee on wholesale petroleum products. The fee is imposed and collected by the Department of Revenue **only** when the fund balance falls below \$4 million (see M.S. 115C.08). Revenue is also received from investment earnings on the fund balance.

Key Measures

The annual number of reimbursement applications received by the program has remained fairly steady from FY 1999 through FY 2004



Contact

James Pearson, Director
 Minnesota Department of Commerce
 Petroleum Tank Release Cleanup Fund
 85 7th Place East
 St. Paul, Minnesota 55101
 E-mail: <mailto:james.pearson@state.mn.us>

COMMERCE DEPT

Program: PETROLEUM TANK CLEANUP FUND

Program Summary

Dollars in Thousands

	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
Petroleum Tank Release Cleanup					
Current Appropriation	1,084	1,084	1,084	1,084	2,168
Forecast Base	1,084	1,084	1,084	1,084	2,168
<u>Expenditures by Fund</u>					
Direct Appropriations					
Petroleum Tank Release Cleanup	896	1,272	1,084	1,084	2,168
Open Appropriations					
Petroleum Tank Release Cleanup	14,612	15,176	15,176	15,176	30,352
Total	15,508	16,448	16,260	16,260	32,520
<u>Expenditures by Category</u>					
Total Compensation	752	918	878	878	1,756
Other Operating Expenses	14,756	15,530	15,382	15,382	30,764
Total	15,508	16,448	16,260	16,260	32,520
<u>Expenditures by Activity</u>					
Petroleum Tank Cleanup Fund	15,508	16,448	16,260	16,260	32,520
Total	15,508	16,448	16,260	16,260	32,520
Full-Time Equivalent (FTE)	11.3	12.4	12.0	12.0	

Program Description

The Administration program includes the commissioner's office, the department's central management and support functions, and the department's licensing and unclaimed property operations. The program ensures that all department operations are managed and implemented in a manner consistent with law and with the goals of the administration.

Population Served

- ⇒ The commissioner's office serves all Minnesotans who do business with the Department of Commerce.
- ⇒ Licensing serves licensed individuals and businesses, and serves all Minnesotans who use the services of licensed individuals and businesses by assuring that the licensees have met professional standards established by law.
- ⇒ Unclaimed property serves all Minnesotans who own abandoned property held by banks, former employers, retailers, and other businesses.
- ⇒ Central management and support functions facilitate the operations of the department's main programs.

Program at a Glance

Leads, manages and directs six divisions with diverse missions to:

- ◆ Regulate commercial, industrial, financial, utility, and retail activity in Minnesota.
- ◆ Provide technical services and support to Minnesota businesses.
- ◆ Provide energy assistance to low income households.
- ◆ Mitigate environmental damage from leaking petroleum storage tanks.
- ◆ Provide telecommunications services to the deaf and hard of hearing.
- ◆ License 360,000 professionals.
- ◆ Manage \$50 million in unclaimed property, and return \$14 million to rightful owners in FY 2003.

Services Provided

Administration:

- ⇒ Leads, manages, and directs the department to ensure efficient operations.
- ⇒ Develops and directs implementation of annual and long range objectives.
- ⇒ Manages department finances and develops budgets.
- ⇒ Provides personnel management according to Minnesota statutes, rules, and policies.
- ⇒ Provides administrative support services to all programs within the department.
- ⇒ Manages information systems.
- ⇒ Facilitates productive relationships with regulated businesses and individuals.
- ⇒ Coordinates department activities with other government agencies, private sector businesses, and the public.
- ⇒ Provides consumer information to the people of Minnesota.
- ⇒ Licenses businesses and individuals according to Minnesota statutes.
- ⇒ Provides unclaimed property reclamation services to the people of Minnesota.

Licensing:

The unit responds to inquiries from licensees, applicants, and schools providing educational services to licensees. Additionally, the unit responds to consumer inquiries about license activity or status. The unit licenses the following individuals and companies:

- ◆ insurance producers and agencies, adjusters, managing general agents, reinsurance intermediaries;
- ◆ real estate companies, brokers, salespersons, closing agents;
- ◆ appraisers, abstractors, campground membership salespersons;
- ◆ residential building contractors, remodelers, roofers, manufactured home installers;
- ◆ collection agencies, debt collectors, credit service organizations;
- ◆ athlete agents; and
- ◆ notaries public.

Unclaimed Property

Abandoned property may include money from savings and checking accounts, wages, insurance proceeds, safe deposit box contents, stocks, bonds, or dividends. All banks, insurance companies, corporations, and government agencies operating in Minnesota are statutorily required to report, and turn over, abandoned property to the Department of Commerce. The Unclaimed Property unit receives and maintains the abandoned property until the rightful owner claims it. Names of abandoned property owners are published annually. The names are also published on the Department of Commerce website. Tangible property from safe deposit boxes is sold at public sale every ten years. Auction proceeds are deposited in the General Fund until claimed by the rightful owner. The department holds unclaimed stock for three years. After three years, the stock is liquidated and the sale proceeds are deposited in the General Fund until claimed by the rightful owner. Total properties remitted to the department in FY 2004 increased as a result of the recent demutualization of two large insurance companies.

Historical Perspective

This program is funded by an appropriation from the General Fund. Program costs are recovered, as management overhead costs, through the cost recovery systems of other programs within the department.

The Licensing unit was created in 1983 when the department was reorganized -- all licensing operations were combined into one group. The Unclaimed Property unit was created in 1969 following enactment of Minnesota's uniform disposition of unclaimed property act.

Key Measures

<u>Licensing</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
New Licenses Issued	47,000	56,000	59,000	62,000	62,000
Licenses Renewed	56,000	65,000	72,000	110,000	72,000
Active Licenses	270,000	276,000	282,000	360,000	250,000
Telephone/Email/Web Contacts Received	200,000	208,000	210,000	210,000	200,000

<u>Unclaimed Property</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of Unclaimed Property Holders	13,000	13,500	13,500	13,500	13,500
Number of Property Inquiries	29,000	29,000	29,500	29,500	29,500
Unclaimed Property Remitted to Commerce	\$40,800	\$44,000	\$61,000	\$50,000	\$50,000
Unclaimed Property Returned to Owners	\$9,800	\$14,300	\$12,300	\$14,000	\$14,000

Contact

Glenn Wilson, Commissioner
 Minnesota Department of Commerce
 85 7th Place East
 St. Paul, Minnesota 55101
 E-mail: <mailto:glenn.wilson@state.mn.us>

COMMERCE DEPT

Program: ADMINISTRATIVE SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,518	5,518	5,518	5,518	11,036
Technical Adjustments					
Transfers Between Agencies			(100)	(100)	(200)
Forecast Base	5,518	5,518	5,418	5,418	10,836
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,562	5,565	5,418	5,418	10,836
Statutory Appropriations					
Special Revenue	236	239	252	262	514
Total	5,798	5,804	5,670	5,680	11,350
<u>Expenditures by Category</u>					
Total Compensation	3,702	3,983	3,957	4,128	8,085
Other Operating Expenses	2,096	1,821	1,709	1,548	3,257
Transfers	0	0	4	4	8
Total	5,798	5,804	5,670	5,680	11,350
<u>Expenditures by Activity</u>					
Administrative Services	5,798	5,565	5,418	5,418	10,836
Administrative Services	0	239	252	262	514
Total	5,798	5,804	5,670	5,680	11,350
Full-Time Equivalents (FTE)	58.3	59.4	59.7	59.7	

Program Description

The Market Assurance Division includes two distinct operations:

- ⇒ The Investigations unit investigates complaints to determine whether regulated businesses or individuals have violated laws or rules. The unit also attempts to informally resolve disputes between consumers and the regulated industries.
- ⇒ The Registration and Policy Analysis unit reviews insurance forms to ensure compliance with Minnesota statutes. The unit ensures reasonable insurance rates, reviews financial offerings to ensure stable capital markets, and reviews the financial condition of companies that self-insure. This unit also licenses over 20,000 securities broker-dealers, agents, and investment advisors.
- ⇒ The Insurance Fraud Investigation unit will investigate fraudulent claims against insurance companies. The unit's staff of investigators will work to reduce insurance premium costs by reducing the number and frequency of fraudulent insurance claims filed in Minnesota.

Program at a Glance

- ◆ Regulates 21 industries and occupations.
- ◆ Reviews and analyzes 6,200 insurance form and rate filings per year.
- ◆ Reviews 7,300 securities and franchise offerings each year.
- ◆ Opens 9,600 investigation files per year.
- ◆ Imposes 650 disciplinary actions per year
- ◆ Monitors the activities of 276,000 licensed professionals on a complaint basis

Population Served

The Market Assurance Division serves:

- ⇒ All Minnesota individuals and corporations that need insurance, have mortgages, buy or sell real estate, make investments, or otherwise do business with any of the industries licensed or regulated by the division.
- ⇒ Licensees and regulated businesses.
- ⇒ Other government and self-regulatory organizations, both in and out-state, that engage in similar regulatory activity or interact with the regulated industries.
- ⇒ Minnesota residents who register for the No-Call list to reduce the number of telemarketing calls they receive.
- ⇒ Consumers of insurance, investments, and other financial products, as well as the individual licensees and businesses that offer these products.

Services Provided

Investigations. The unit investigates complaints in the following areas:

- ◆ insurance companies;
- ◆ insurance adjusters;
- ◆ notaries;
- ◆ real estate agents and brokers;
- ◆ residential building contractors and roofers;
- ◆ franchisors;
- ◆ currency exchanges;
- ◆ real estate appraisers;
- ◆ cigarette vendors;
- ◆ athlete agents;
- ◆ viatical settlements;
- ◆ insurance agents and brokers;
- ◆ third party administrators and self-insurers;
- ◆ petroleum tank release cleanup fund;
- ◆ residential mortgage originators and servicers;
- ◆ securities brokers, dealers and agents;
- ◆ investment advisors;
- ◆ collection agencies;
- ◆ wire transfer agencies (money transmitters);
- ◆ abstractors;
- ◆ telemarketing companies; and
- ◆ cosmetologists, manicurists, and estheticians.

Insurance Fraud Investigation. The unit investigates:

- ◆ researches insurance data to look for patterns of fraud;
- ◆ investigates insurance fraud cases; and
- ◆ brings criminal charges against individuals who commit insurance fraud.

Registration and Policy Analysis:

- ◆ reviews insurance policies and investment documents to determine whether they comply with applicable statutes and rules;

- ◆ registers securities and franchise offerings, or certifies exemption from registration requirements;
- ◆ licenses securities broker-dealers, agents, investment advisors, and viatical settlement providers;
- ◆ develops and implements policies and procedures to expedite compliance with registration requirements;
- ◆ promotes development and use of electronic registration and filing systems;
- ◆ reviews rates charged for insurance products to ensure that rates are not excessive;
- ◆ authorizes employers and other groups to self-insure; and
- ◆ develops and implements policies and procedures to expedite compliance with registration requirements.

Historical Perspective

Over the past five years the number of consumer complaints received by the division has increased by more than 43%, primarily in the insurance, mortgage originator, and building contractor industries. Over this same time period, the legislature has required the division to develop and administer five new regulatory programs. The following trends affect both the workload and performance of the Investigation unit:

- ⇒ Consumer complaint activity tends to fluctuate with changes in the economy.
- ⇒ As lending rates change, there are corresponding changes in the number of complaints about real estate and building contractor licensees. Complaints have been increasing steadily.
- ⇒ Stock market volatility increases complaints about securities and insurance issues.
- ⇒ In addition to specific economic influences, the number of consumer complaints and inquiries is generally trending upward.
- ⇒ The number of insurance investigations has increased in the last five years. At the same time, the complexity of insurance complaints has also increased. National trends indicate that complex, multi-state investigations will become more frequent.

Key Measures

Complaint activity against regulated industries has increased steadily over the last five years, from 8,121 formal investigation files opened in 1998, to an estimated 12,000 in 2004.

Contact

Patrick Nelson, Deputy Commissioner
Minnesota Department of Commerce
85 7th Place East
St. Paul, Minnesota 55101
E-mail: <mailto:patrick.nelson@state.mn.us>

COMMERCE DEPT
 Program: MARKET ASSURANCE

Program Summary

Dollars in Thousands

	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,787	5,062	5,062	5,062	10,124
Technical Adjustments					
Transfers Between Agencies			(150)	(150)	(300)
Forecast Base	5,787	5,062	4,912	4,912	9,824
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,412	5,157	4,912	4,912	9,824
Workers Compensation	611	839	835	835	1,670
Statutory Appropriations					
Special Revenue	1,317	3,190	5,118	4,835	9,953
Total	7,340	9,186	10,865	10,582	21,447
<u>Expenditures by Category</u>					
Total Compensation	5,109	6,205	6,353	6,420	12,773
Other Operating Expenses	2,181	2,781	2,389	2,321	4,710
Local Assistance	50	200	2,123	1,841	3,964
Total	7,340	9,186	10,865	10,582	21,447
<u>Expenditures by Activity</u>					
Market Assurance	6,023	7,496	9,465	9,182	18,647
Investigations	1,317	1,690	1,400	1,400	2,800
Total	7,340	9,186	10,865	10,582	21,447
Full-Time Equivalent (FTE)	72.7	80.3	83.6	82.8	

Program Description

The Energy & Telecommunications Division advocates for the public interest, enforces federal and state energy and telecommunications laws, and promotes access to reliable, reasonably priced, efficient, economically and technologically sound and environmentally responsible energy and telecommunications services.

Population Served

The division serves all of Minnesota's residential, small business, and large business consumers as well as investors and providers of energy and telecommunication services.

Services Provided

The Energy & Telecommunications Division implements statewide energy and telecommunications policies and provides a broad range of regulatory and other services:

- 1) Energy and Telecommunications Regulatory Units:
 - a) Advocate for the public interest in electric, natural gas, and telecommunications utility matters before the Minnesota Public Utilities Commission.
 - b) Enforce orders of the Public Utilities Commission as well as certain orders of the Federal Communications Commission.
 - c) Advocate for the interests of Minnesota energy users before the Federal Energy Regulatory Commission and in other national and regional forums.
 - d) Analyze utilities' energy conservation improvement proposals for the Department of Commerce commissioner.
 - e) Participate as the consumer advocate designee in the development and operation of the regional electric transmission operating entity that operates the electric power grid in Minnesota plus 26 other Midwest and Eastern States.
- 2) The Reliability Administrator focuses on the reliability of Minnesota's electric transmission and distribution systems by:
 - a) Providing independent energy reliability expertise to state energy regulators.
 - b) Participating in the operations of local and regional transmission operating and planning organizations.
- 3) The State Energy Office
 - a) Promotes renewable energy resources as well as other modern energy technologies through consumer education, demonstrations and other deployment activities.
 - b) Provides direct consumer education on energy conservation and renewable energy technologies through the Minnesota Energy Information Center.
 - c) Administers the Energy Investment Loan Program, the Renewable Energy Production Incentive, the Solar Rebate Program and the federal State Energy Program.
 - d) Administers the U.S. Department of Energy Weatherization Assistance Program, providing energy conservation services to low-income households throughout Minnesota.
- 4) The Low Income Heating and Energy Assistance Program (LIHEAP) provides financial assistance to help Minnesota's low income residents pay their energy bills.

Program at a Glance

- ◆ Advocates on behalf of the public interest on regulated electric and natural gas issues.
- ◆ Enforces state and federal laws and regulations with respect to:
 - ⇒ 96 incumbent local telephone companies
 - ⇒ 168 competitive local carriers
 - ⇒ 390 companies offering long distance service
- ◆ Evaluated and acted on approximately 2,090 individual dockets in FY 2003.
- ◆ Regulatory effectiveness holds down utility rates. Minnesotans pay:
 - ⇒ 12.35% less than the national average for electricity.
 - ⇒ 16.43% less than the national average for natural gas.
- ◆ Administers approximately \$25 million for energy efficiency and technology programs.
- ◆ Administers \$15 million in federal Weatherization Program funds to Minnesota's low income households.
- ◆ Administers \$66.8 million in federal Energy Assistance Program funds to Minnesota's low income households.
- ◆ Conservation Improvement Programs expect, in 2004, to save:
 - ⇒ 269,000,000 kilowatt hours of electricity
 - ⇒ 1.3 billion cubic feet of natural gas.

Historical Perspective

All direct and indirect costs related to telecommunications regulation and energy utility regulation are assessed back to the regulated companies. Direct telephone and energy utility costs are billed to regulated companies semi-annually. Indirect costs are estimated and billed 30 days in advance of each quarter. Indirect costs are prorated to regulated companies based on their gross Minnesota jurisdictional revenues. Estimated indirect cost billings are reconciled and adjusted to actual costs after the close of the fiscal year. Receipts include recovery of the department's administrative costs, statewide indirect costs and the cost of services provided by the Office of the Attorney General.

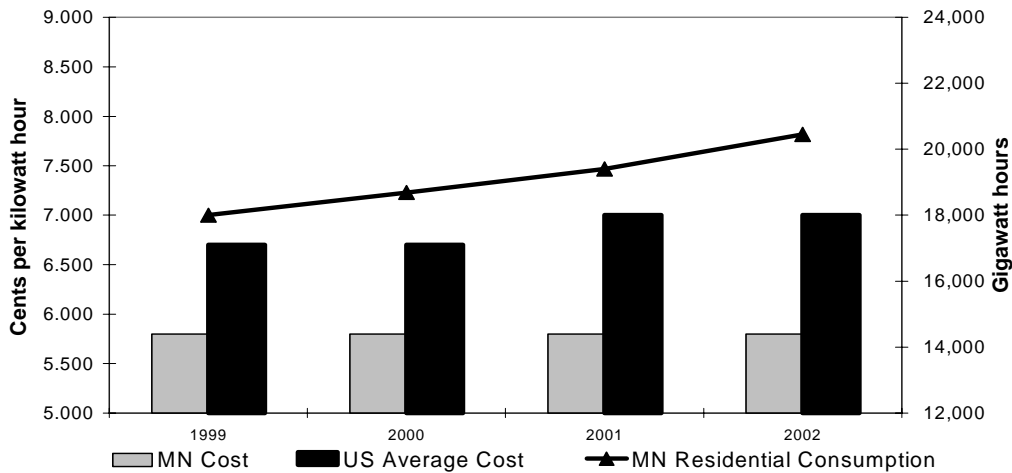
The cost of some operations within the Energy Division is supported by federal funds.

- ⇒ LIHEAP operates almost entirely on funds provided by the U.S. Department of Health and Human Services.
- ⇒ Funds for the Weatherization Assistance Program come primarily from the U.S. Departments of Energy and Health and Human Services.
- ⇒ The State Energy Office programs are funded through a combination of state, federal and nonpublic funds, including oil overcharge funds, competitive grant awards, and energy utility program funds

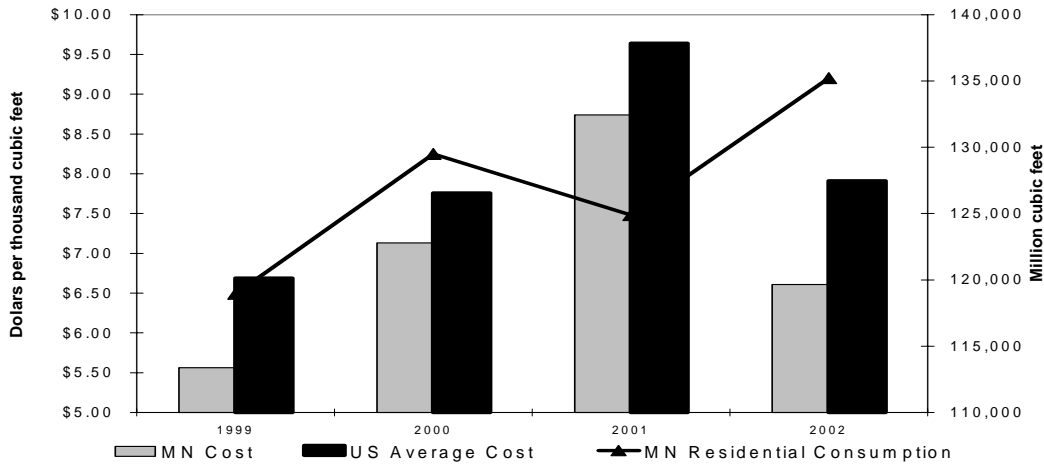
Key Measures

The cost of energy, both electricity and natural gas, in Minnesota (gray columns in the two charts below) are well below the national average (black columns in the two charts below) even though residential consumption is increasing steadily. The Energy Planning and Advocacy group works to maintain reasonable rates by representing the interests of Minnesota ratepayers.

Residential Consumption of Electricity



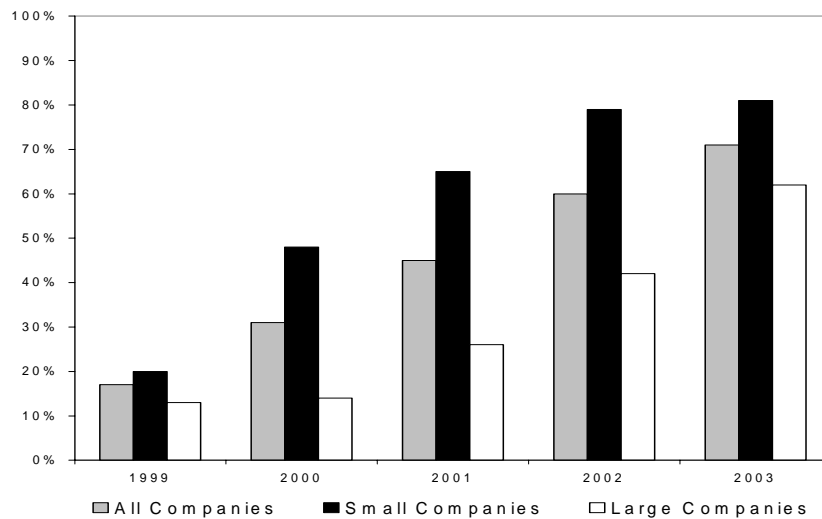
Residential Consumption of Natural Gas



Key Measures - Telephone Cost

The Department of Commerce continues to work on the goal of making broadband service available to every state resident. Telephone companies provide high speed service primarily through digital subscriber line (DSL) technology. The availability of DSL service by exchange or wire center is an indicator of the level of availability of high speed service throughout the state. The Department of Commerce conducts statewide inventories of DSL availability in each telephone exchange.

Companies Offering DSL Service



Contact

Glenn Wilson, Commissioner
 Minnesota Department of Commerce
 85 7th Place East
 St. Paul, Minnesota 55101
 E-mail: <mailto:glenn.wilson@state.mn.us>

COMMERCE DEPT

Program: ENERGY & TELECOMMUNICATIONS

Program Summary

Dollars in Thousands

	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	4,349	4,349	4,349	4,349	8,698
Forecast Base	4,349	4,349	4,349	4,349	8,698
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,130	4,642	4,349	4,349	8,698
State Government Spec Revenue	55	464	0	0	0
Open Appropriations					
General	4,272	4,838	4,838	4,838	9,676
Statutory Appropriations					
State Government Spec Revenue	0	10	183	0	183
Special Revenue	1,636	2,293	1,718	600	2,318
Federal	85,862	94,542	94,838	94,838	189,676
Gift	1	1	0	0	0
Total	95,956	106,790	105,926	104,625	210,551
<u>Expenditures by Category</u>					
Total Compensation	5,038	5,232	5,400	5,554	10,954
Other Operating Expenses	7,677	8,104	7,637	6,457	14,094
Local Assistance	82,941	92,993	92,685	92,410	185,095
Other Financial Transactions	300	461	200	200	400
Transfers	0	0	4	4	8
Total	95,956	106,790	105,926	104,625	210,551
<u>Expenditures by Activity</u>					
Energy & Telecommunications	95,956	106,790	105,926	104,625	210,551
Total	95,956	106,790	105,926	104,625	210,551
Full-Time Equivalent (FTE)	67.7	70.3	70.3	70.0	

Program Description

The Telecommunications Access Minnesota (TAM) unit of the Department of Commerce contracts with outside vendors for Telecommunications Relay Services (TRS) on behalf of Minnesota’s telephone ratepayers. TRS is mandated by rules and regulations of the Federal Communications Commission and the rules and laws of the state of Minnesota. Additionally, Minnesota must remain in compliance with Title IV of the Americans with Disabilities Act.

The Minnesota Relay allows a person using a specialized telecommunications device (such as a Teletypewriter, voice carry-over phone, hearing carry-over phone, or captioned telephone), or an individual with a speech or mobility impairment, to communicate with a person using a standard telephone. The Minnesota Relay provides 24 hours per day, seven days per week telephone access to Minnesotans who are deaf, deaf-blind, hard-of-hearing, speech or mobility-impaired.

TAM also contracts, through an Interagency Agreement with the Department of Human Service’s (DHS) Telephone Equipment Distribution (TED) Program, to provide a wide variety of assistive listening and telecommunications devices at no charge to eligible Minnesotans

<u>Program at a Glance</u>	
◆	Minnesota Relay Contract:
⇒	Handles an average of 101,800 relay calls per month.
⇒	Conducted 734 presentations reaching more than 24,000 participants in 2003.
⇒	Offers 44 custom calling features.
◆	Telephone Equipment Distribution Program:
⇒	Distributes an average of 344 telecommunications devices per month.
⇒	Conducted 190 presentations reaching more than 4,100 participants in 2003.

Population Served

TAM serves Minnesotans who are deaf, deaf-blind, hard-of-hearing, speech or mobility impaired, and hearing users of the Minnesota Relay.

Services Provided

- TAM serves its clients through two vendor contracts and an Interagency Agreement:
- ⇒ Contract with Communication Services for the Deaf (CSD). CSD provides the management and human resource components for the Minnesota Relay.
 - ⇒ Contract with Sprint. Sprint is responsible for providing the relay facilities, maintenance and access to Sprint’s fiber optic telecommunications network.
 - ⇒ Interagency Agreement with DHS. DHS’s TED Program provides special telecommunications equipment to eligible persons to enable them to access Minnesota’s telecommunications network. DHS provides statewide coverage through its six Deaf and Hard of Hearing Regional Service Centers. Equipment includes: Telecommunication Devices for the Deaf (TDD/TTY), telephone amplifiers, telephone ring signalers (visual, tactile or amplified), text telephones with large visual displays, Braille TTYs, captioned telephones (CapTel™), and “hands-free” speaker phones.

Historical Perspective

- ⇒ The TAM program is funded by a surcharge on all wired and non-wired telephone subscriber lines in Minnesota. The surcharge is required by M.S. 237.52, subd.2.
- ⇒ Funds from the surcharge are paid into an interest-bearing, dedicated special revenue account that funds:
 - ◆ the TAM program administrator;
 - ◆ DHS/TED Program staff;
 - ◆ special assistive telecommunications devices distributed by the TED Program;
 - ◆ the facility, equipment, and operations of Minnesota Relay; and
 - ◆ program administrative costs.
- ⇒ The Public Utilities Commission (PUC) approves the TAM annual budget and sets the surcharge at a level that will generate sufficient revenue to fund the program.

⇒ The surcharge is currently set at \$0.13 per month, per access line (on 7-24-04, the PUC approved TAM's FY 2005 recommendation to decrease the surcharge to \$.010, 10-1-04). The statutory maximum is \$0.20 per month, per access line.

Key Measures

- ⇒ The Minnesota Relay handled 1,275,265 calls in 2003.
- ⇒ Minnesota Relay services greatly exceeded FCC call answering performance standards. On average, incoming relay calls are answered in two rings or less.
- ⇒ Minnesota relay call complaint ratio is less than 1%.
- ⇒ The TED Program distributed 2,337 telecommunications devices and conducted 190 presentations in 2003.

Contact

Rochelle Garrow, TAM Program Interim Administrator
Minnesota Department of Commerce
85 7th Place East, Suite 600
St. Paul, Minnesota 55101-3165
Phone: (651) 297-8941
E-mail: <mailto:rochelle.garrow@state.mn.us>

COMMERCE DEPT

Program: TAM

Program Summary

Dollars in Thousands

	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Special Revenue	6,355	8,730	8,734	8,738	17,472
Total	6,355	8,730	8,734	8,738	17,472
<u>Expenditures by Category</u>					
Total Compensation	141	54	58	62	120
Other Operating Expenses	6,214	8,676	8,676	8,676	17,352
Total	6,355	8,730	8,734	8,738	17,472
<u>Expenditures by Activity</u>					
Tam	6,355	8,730	8,734	8,738	17,472
Total	6,355	8,730	8,734	8,738	17,472
Full-Time Equivalent (FTE)	1.9	1.2	1.2	1.2	

Program Description

The Weights and Measures Division:

- ⇒ Provides the basis for physical measurement accuracy in Minnesota by maintaining the state standards for mass, length, volume, temperature, and density.
- ⇒ Extends standardization and accuracy to commerce in Minnesota by offering precision calibration services to large and small businesses, and individuals.
- ⇒ Enforces accuracy in commercial marketplaces by inspecting and testing all commercial weighing and measuring equipment in Minnesota.
- ⇒ Ensures the quality of petroleum products by sampling and testing gasoline, diesel fuel, heating fuels, and other products.
- ⇒ Enforces statutory gasoline oxygenation requirements by sampling and testing gasoline at all levels of distribution and sale in Minnesota.
- ⇒ Ensures the net weight and net volume accuracy of consumer commodities by inspecting and testing prepackaged goods in Minnesota.

Program at a Glance

- ◆ Weights and Measures affects more than \$23 billion in Minnesota commerce each year.
- ◆ The metrology laboratory is accredited under ISO 17025. It is one of the most highly regarded measurement laboratories in the nation.
- ◆ In FY 2002, the division's 17 petroleum and scale investigators tested and inspected:
 - ⇒ 49,000 gas pumps.
 - ⇒ 8,200 light capacity scales.
- ◆ In FY 2002, the division's six heavy capacity scale investigators tested and inspected:
 - ⇒ 1,600 vehicle scales
 - ⇒ 900 grain and fertilizer scales.
 - ⇒ 1,900 other heavy capacity scales.

Population Served

The Weights and Measures Division serves almost every person and business in Minnesota, including:

- ⇒ Minnesota citizens and businesses that buy or sell goods or services based on a measured quantity.
- ⇒ Businesses and individuals needing International Organization for Standardization (ISO) accredited calibration services to enable them to provide materials or services to other businesses in the United States, and throughout the world, and to enable them to compete in European Union nations.
- ⇒ Motor fuel, heating fuel, and aviation fuel consumers.

Services Provided

The division provides three distinct services:

- ⇒ Promotes accuracy in basic physical measurement by offering precision calibration services to Minnesota businesses and individuals.
- ⇒ Enforces Minnesota's weights and measures statutes to ensure the accuracy of gas pumps, grocery scales, prepackaged commodities, livestock scales, grain and fertilizer scales, and a broad range of other commercial weighing and measuring equipment.
- ⇒ Ensures the quality of gasoline, diesel fuel, heating fuel and other petroleum products.

Historical Perspective

The Weights and Measures Division is one of the oldest continuously operating units of Minnesota government. The division formally commenced operations in 1885 as part of the Railroad and Warehouse Commission.

The division has noted a continuing upward trend in the number of gasoline pumps in commercial use in Minnesota. The number has increased from approximately 21,000 in 1981 to 50,000 in 2002. Gasoline consumption, which declined in the 1970s and 1980s, and held fairly steady in the 1990s, is increasing again. Increasing gasoline consumption, and increasing gasoline prices, continue to increase demand for the division's inspection services.

Key Measures

The division's metrology laboratory has achieved and maintained accreditation under ISO 17025, the most recently adopted quality standards. Additionally, the metrology laboratory meets performance standards set by

the National Institute of Standards and Technology (NIST)/National Voluntary Laboratory Accreditation Program and the NIST Office of Weights and Measures.

A comparison of measurement process uncertainties with other state and private metrology laboratories demonstrates that the Minnesota metrology laboratory consistently maintains the best measurement process uncertainties in the United States.

Inspection operations have maintained high compliance rates for commercial weighing and measuring equipment despite the rapid increase in the number of gas pumps. For comparison purposes, there were about 20,000 gas pumps in use in Minnesota in FY 1980. Currently, there are approximately 50,000 pumps in use. In the last 22 years, the number of gas pumps increased by 250%, the division's staff decreased and its productivity more than doubled.

Petroleum quality enforcement operations maintained a 98% compliance rate for gasoline octane and oxygenation.

Contact

Carol Hockert, Director
Minnesota Department of Commerce
Weights and Measures Division
2277 Highway 36
Roseville, Minnesota 55113
E-mail: <mailto:carol.hockert@state.mn.us>

COMMERCE DEPT

Program: WEIGHTS & MEASURES

Program Summary

Dollars in Thousands

	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,506	2,507	2,507	2,507	5,014
Forecast Base	2,506	2,507	2,507	2,507	5,014
Petroleum Tank Release Cleanup					
Current Appropriation	527	0	0	0	0
Forecast Base	527	0	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,589	2,523	2,507	2,507	5,014
Petroleum Tank Release Cleanup	498	0	0	0	0
Statutory Appropriations					
Special Revenue	0	618	618	618	1,236
Total	3,087	3,141	3,125	3,125	6,250
<u>Expenditures by Category</u>					
Total Compensation	2,313	2,295	2,276	2,343	4,619
Other Operating Expenses	774	846	849	782	1,631
Total	3,087	3,141	3,125	3,125	6,250
<u>Expenditures by Activity</u>					
Weights & Measures	3,087	3,141	3,125	3,125	6,250
Total	3,087	3,141	3,125	3,125	6,250
Full-Time Equivalent (FTE)	32.9	32.3	32.8	32.8	