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The Honorable Loren Solberg  
House Ways and Means Committee  
443 State Office Building

The Honorable Richard Cohen  
Senate Finance Committee  
121 State Capitol

The Honorable Mary Liz Holberg  
House Ways and Means Committee  
303 State Office Building

The Honorable Dennis Fredrickson  
Senate Finance Committee  
139 State Office Building

The Honorable Lyndon Carlson  
House Finance Committee  
479 State Office Building

The Honorable Don Betzold  
Senate Government Budget Division  
111 State Capitol

The Honorable Mark Buesgens  
House Finance Committee  
307 State Office Building

The Honorable Claire Robling  
Senate State Government Budget Division  
143 State Office Building

The Honorable Phyllis Kahn  
House State Government Finance Division  
255 State Office Building

The Honorable Joyce Peppin  
House State Government Finance Division  
279 State Office Building

Dear Members of the 2009 Legislature:

Minnesota Management & Budget prepared this report on the 2008 professional/technical contract reduction as directed in Minnesota Laws of 2008, Chapter 363, Article 13, Section 21.

### ***Authorizing Legislation***

In addition to budget reductions experienced by most state agencies after the 2008 session, the Legislature also enacted an unspecified reduction targeted at professional and technical contract spending. Laws of 2008, Chapter 363, Article 13, Section 21 states:

#### ***PROFESSIONAL AND TECHNICAL CONTRACTS.***

*By July 1, 2008, the commissioner of finance shall allocate a reduction of \$1,875,000 among the general fund appropriations for fiscal year 2009 to executive branch state agencies, as defined in Minnesota Statutes, section 16A.011, subdivision 12a. To the extent possible, this reduction must be achieved through reductions in expenditures for professional and technical contracts, as defined in Minnesota Statutes, section 16C.08, subdivision 1. Executive branch state agencies shall cooperate with the commissioner of finance in developing and implementing the reductions. Any reductions that cannot be achieved through savings in professional and technical contracts must be allocated proportionally across executive*

*branch state agency operating budgets. For the purposes of defining the base under Minnesota Statutes, section 16A.11, subdivision 3, paragraph (b), \$575,000 each year must be allocated as a permanent reduction to state agency base appropriations for fiscal years 2010 and 2011. The reductions must be allocated in proportion to the fiscal year 2009 reduction. For purposes of this subdivision, "executive branch state agency" does not include the Minnesota State Colleges and Universities. By January 15, 2009, the commissioner of finance shall report to the chairs and ranking minority members of the legislative committees with jurisdiction over finance regarding the amount of the reductions in professional and technical contract spending by each agency.*

### ***Allocation methodology***

As directed in the law, the reduction targets were allocated to executive branch state agencies with spending on professional/technical contracts from general fund appropriations. Under the law, "executive branch state agencies" was defined to exclude constitutional officers and Minnesota State Colleges and Universities. Agencies' professional/technical contract spending levels were established using a three year average of expenditures plus encumbrances in the MAPS object class 2D0 (professional and technical services with outside vendors) for fiscal years 2006 through 2008, using data as of June 2, 2008.

No professional/technical contract spending categories were excluded for purposes of determining contract spending levels; however adjustments were made in three specific contract areas due to the nature of service demands and limited contracting flexibility. The three year average professional/technical contract spending levels were reduced by half for expenditures on:

- Offender client supervision services (MAPS object code 2D37)
- Health care provided by outside vendors (MAPS object code 2D50)
- Statewide education testing contracted by the Department of Education (MAPS appropriation unit 815)

Once professional/technical contract spending levels were established in this manner, the reduction targets were allocated to agencies in proportion to their share of total spending on these contracts. Allocation amounts were rounded to the nearest \$1,000, with amounts below \$500 rounded down to \$0.

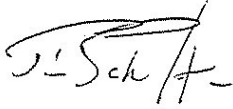
FY 2009 reduction amounts were transferred to a central non-operating account for cancellation to the general fund at fiscal year close. FY 2010-11 allocation amounts are reflected as adjustments to agencies' forecast base appropriations for the coming biennium. Information on agencies' adjusted base appropriations is available in the November 2008 forecast materials posted on our website (<http://www.mmb.state.mn.us/doc/budget/report-fba/nov08-detail.pdf> and <http://www.mmb.state.mn.us/back-dec>).

### ***Spending reductions***

Attached is a table showing the allocated reduction targets for each affected agency. Agencies were directed to take their reductions, to the extent possible, from planned spending on professional/technical contracts. If agencies were not able to reduce professional/technical contract spending in the amount of the allocation, they reduced non-contract spending for the remainder as required by the law.

Questions regarding this report may be directed to Curt Yoakum at (651) 201-8014.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Schowalter". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke.

Jim Schowalter  
State Budget Director

cc: Bill Marx, House Fiscal Analysis  
Matt Massman, Senate Fiscal Analysis  
Helen Roberts, House Fiscal Analysis  
Kevin Lundeen, Senate Fiscal Analysis  
Legislative Reference Library  
Curt Yoakum, MMB

<b>Allocation of P/T Contracts Reduction Required by Laws 2008</b>
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Agency Name	FY 2009 Reduction	Base Reduction FY 2010	Base Reduction FY 2011
ADMINISTRATION DEPT	\$ 17,000	\$ 5,000	\$ 5,000
AGRICULTURE DEPT	\$ 23,000	\$ 7,000	\$ 7,000
ANIMAL HEALTH BOARD	\$ 18,000	\$ 5,000	\$ 5,000
ARCHITECTURE, ENGINEERING BD	\$ 1,000	\$ -	\$ -
CAMPAIGN FINANCE BOARD	\$ 1,000	\$ -	\$ -
CENTER FOR ARTS EDUCATION	\$ 8,000	\$ 3,000	\$ 3,000
COMMERCE DEPT	\$ 8,000	\$ 2,000	\$ 2,000
CORRECTIONS DEPT	\$ 657,000	\$ 204,000	\$ 204,000
DISABILITY COUNCIL	\$ 1,000	\$ -	\$ -
EDUCATION DEPARTMENT	\$ 221,000	\$ 68,000	\$ 68,000
EMPLOYMENT & ECONOMIC DEVELOPMENT	\$ 4,000	\$ 1,000	\$ 1,000
EXPLORE MINNESOTA TOURISM	\$ 95,000	\$ 29,000	\$ 29,000
FARIBAULT ACADEMIES	\$ 11,000	\$ 3,000	\$ 3,000
MINNESOTA MANAGEMENT & BUDGET	\$ 28,000	\$ 9,000	\$ 9,000
HEALTH DEPT	\$ 23,000	\$ 7,000	\$ 7,000
HUMAN RIGHTS DEPT	\$ 1,000	\$ -	\$ -
HUMAN SERVICES DEPT	\$ 299,000	\$ 92,000	\$ 92,000
INDIAN AFFAIRS COUNCIL	\$ 1,000	\$ -	\$ -
LABOR AND INDUSTRY DEPT	\$ 2,000	\$ 1,000	\$ 1,000
MEDIATION SERVICES DEPT	\$ 1,000	\$ -	\$ -
NATURAL RESOURCES DEPT	\$ 46,000	\$ 14,000	\$ 14,000
OFFICE OF ENTERPRISE TECHNOLOGY	\$ 48,000	\$ 15,000	\$ 15,000
OFFICE OF HIGHER EDUCATION	\$ 8,000	\$ 2,000	\$ 2,000
POLLUTION CONTROL AGENCY	\$ 59,000	\$ 18,000	\$ 18,000
PUBLIC SAFETY DEPT	\$ 113,000	\$ 35,000	\$ 35,000
PUBLIC UTILITIES COMM	\$ 1,000	\$ -	\$ -
REVENUE DEPT	\$ 169,000	\$ 52,000	\$ 52,000
TRANSPORTATION DEPT	\$ 1,000	\$ -	\$ -
VETERANS AFFAIRS DEPT	\$ 3,000	\$ 1,000	\$ 1,000
WATER & SOIL RESOURCES BOARD	\$ 7,000	\$ 2,000	\$ 2,000
<b>Grand Total</b>	<b>\$ 1,875,000</b>	<b>\$ 575,000</b>	<b>\$ 575,000</b>