



October 26, 2011

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

The Honorable Claire Robling
Senate Finance Committee
226 State Capitol

The Honorable Lyndon Carlson
House Ways and Means Committee
283 State Office Building

The Honorable Richard Cohen
Senate Finance Committee
109 State Office Building

The Honorable Morrie Lanning
House State Government Finance
379 State Office Building

The Honorable Mike Parry
Senate State Gov. Innovation and Veterans
309 State Capitol

Dear Members of the 2011 Legislature:

Minnesota Management & Budget prepared this report on the 2010 additional operating budget reduction as directed in Minnesota Laws of 2010, Chapter 215, Article 12, Section 31.

Authorizing Legislation

In addition to the specific budget reductions experienced by most state agencies after the 2010 session, the Legislature also enacted a \$3 million operating budget reduction to be achieved, to the extent possible, through estimated savings from operational efficiencies. Specifically, Laws of 2010, Chapter 215, Article 12, Section 31 directed Minnesota Management & Budget to allocate this reduction as outlined in the language below:

ADDITIONAL OPERATING BUDGET REDUCTIONS By July 30, 2010, the commissioner of management and budget must allocate a reduction of \$3,000,000 for the fiscal year ending June 30, 2011, to the operating budgets of executive branch state agencies, as defined in Minnesota Statutes, section 16A.011, subdivision 12a. To the extent possible, this reduction must be achieved through estimated savings in expenditures for space, out-of-state travel, fleet management, energy usage in state buildings, contracts for professional or technical services, and through increased employee telecommuting, and through consolidation of information technology functions, or through other operational efficiencies. If expenditure reductions are achieved in dedicated funds other than those established in the state constitution or protected by federal law, the commissioner of management and budget may transfer the amount of the savings to the general fund. Executive branch state agencies must cooperate with the commissioner of management and budget in developing and implementing these reductions. Any amount of the reduction that cannot be achieved through savings in the expenditure types described in this section must be allocated to executive state agency operating budgets by the commissioner. Reductions in fiscal year 2011 must cancel to the general fund and shall be reflected as reductions in agency base budgets for fiscal years 2012 and 2013. The commissioner of management and budget must report to the chairs and ranking minority members of

the senate Finance Committee and the house of representatives Ways and Means and Finance Committees regarding the amount of reductions in spending by each agency under this section.

Operational Efficiency Initiatives

The Department of Administration and the Office of Enterprise Technology implemented four projects aimed to generate savings for agencies through operational efficiencies. The reduction amounts allocated to agency budgets reflected the estimated savings from these projects to the general fund and various other funds. The estimated savings from these projects were not recaptured when the savings occurred in trust funds, internal service funds, federal funds, or funds that are protected in the constitution. Base adjustments in FY 2012-13 were made for estimated ongoing savings in direct-appropriated funds. The following sections describe each project, and the total savings for each project are reflected in the table set out below.

FY 2011 Reductions/Savings by Project	
<i>Project</i>	<i>Reductions/Savings</i>
Closeout of Office Supply Connection (OSC) Enterprise Fund	\$770,000
Lease Rate Savings for State-owned Buildings	\$630,000
Email/SharePoint/Office Communication Initiative	\$800,000
Internet Protocol Telephony (IPT) Initiative	\$800,000
TOTAL	\$3,000,000

Closeout of Office Supply Connection (OSC) Enterprise Fund (\$770,000)

To create savings, operational efficiencies, and better serve customers, the Department of Administration transitioned office supply purchasing from OSC to a model where agencies purchase directly from a contract vendor. Following a period necessary to conclude the fund’s business activities, remaining cash in this Department of Administration enterprise fund was returned to the funds from which OSC purchases were made. From there, MMB and the Department of Administration transferred \$770,000 of the returned cash to the general fund in FY 2011 to help meet the \$3 million target. This initiative involved one-time transfers for FY 2011 and no base adjustments for FY 2012-13.

Lease Rate Savings for State-owned Buildings (\$630,000)

The Department of Administration achieved savings by reducing janitorial staff ratios to more consistent levels in buildings operated by the Department of Administration, which reduced rent costs for agencies that lease space in those buildings. Agencies transferred the estimated savings amounts for FY 2011 to the general fund. These transfers contributed \$630,000 to meet the \$3 million target.

For FY 2012-13, the estimated general fund savings were reflected as base adjustments in the biennial base fiscal data published by MMB on November 30, 2010, and available on our website at <http://www.mmb.state.mn.us/narratives-11-30-2010>. The attached table reflects the total FY 2012-13 base reductions and includes the base reductions for this initiative.

Email/SharePoint/Office Communication Initiative (\$800,000)

The Office of Enterprise Technology (OET) initiated an information technology consolidation project related to email, SharePoint, and Office Communication. Enterprise email provides a single communication platform to reduce costs and increase services. The SharePoint software application service provides a common approach to collaboration and document management that will be easier for users and reduces costs for everyone. Office Communication Services provides common video, voice, and instant messaging services at less cost with greater flexibility. By establishing these services as a utility service, efficiencies

produced both immediate and long-term savings. For FY 2011, OET contributed to the general fund the estimated savings amount on behalf of agencies. The initiative contributed \$800,000 to meet the \$3 million target.

For FY 2012-13, the estimated general fund savings for this initiative were reflected in the biennial base fiscal data published by MMB on November 30, 2010, and available on our website at <http://www.mmb.state.mn.us/narratives-11-30-2010>. The attached table reflects the total FY 2012-13 base reductions and includes the total base reductions for this initiative.

IPT Initiative (\$800,000)

Internet Protocol Telephony (or VOIP - Voice over Internet Protocol) is a software application for delivering telephone services over the internet. By establishing IPT as a utility service, agencies that were not currently using OET-provided IPT migrated to the service, resulting in savings due to the increased volume and operational efficiencies. The agency affected by this initiative, the Department of Human Services, transferred to the general fund the estimated savings amounts in FY 2011. This initiative involved a one-time transfer in FY 2011 and no base adjustments for FY 2012-13. The initiative contributed \$800,000 to the \$3 million target.

Total Reductions and Savings

Attached is a table showing the FY 2011 reductions and savings attributed to each affected agency. The table also shows the related base reductions in FY 2012-13.

Questions regarding this report may be directed to John Pollard at (651) 201-8039.

Sincerely,



Margaret Kelly
State Budget Director

cc: Bill Marx, House Fiscal Analysis
Brent Gustafson, Senate Fiscal Analysis
Helen Roberts, House Fiscal Analysis
Kevin Lundeen, Senate Fiscal Analysis
Legislative Reference Library

Allocation of Reduction/Savings Required by Laws 2010, Chapter 215

Agency	FY 2011			FY 2012	FY 2013
	Reductions/Savings				
	General Fund	All Other Funds	Total	GF Base Reduction	GF Base Reduction
ADMINISTRATION DEPT	\$ 268,000	\$ 770,000	\$1,038,000	\$ 269,000	\$ 269,000
AGRICULTURE DEPT	49,000	8,000	57,000	53,000	53,000
ANIMAL HEALTH BOARD	2,000	-	2,000	2,000	2,000
CAMPAIGN FINANCE BOARD	1,000	-	1,000	1,000	1,000
CAPITOL AREA ARCHITECT	1,000	-	1,000	1,000	1,000
COMMERCE DEPT	-	-	-	5,000	5,000
CORRECTIONS DEPT	-	-	-	120,000	120,000
EMPLOYMENT & ECON DEV	-	-	-	3,000	3,000
EXPLORE MN TOURISM	-	-	-	2,000	2,000
HEALTH DEPT	58,000	31,000	89,000	58,000	58,000
HUMAN RIGHTS DEPT	-	-	-	1,000	1,000
HUMAN SERVICES DEPT	77,000	800,000	877,000	249,000	249,000
MILITARY AFFAIRS DEPT	3,000	-	3,000	3,000	3,000
MN MANAGEMENT & BUDGET	17,000	-	17,000	21,000	21,000
NATURAL RESOURCES DEPT	-	-	-	60,000	60,000
OFFICE OF ENTERPRISE TECH	804,000	-	804,000	5,000	5,000
OFFICE OF HIGHER EDUCATION	-	-	-	2,000	2,000
PUBLIC SAFETY DEPT	70,000	-	70,000	120,000	120,000
REVENUE DEPT	35,000	-	35,000	68,000	68,000
TAX COURT	3,000	-	3,000	3,000	3,000
TRANSPORTATION DEPT	2,000	-	2,000	2,000	2,000
VETERANS AFFAIRS DEPT	1,000	-	1,000	18,000	18,000
Total	\$1,391,000	\$1,609,000	\$3,000,000	\$1,066,000	\$1,066,000