

Table of Contents

Minnesota Management and Budget

Agency Profile.....	1
Expenditures Overview.....	3
Financing by Fund.....	4
Change Item: 25% Health Insurance Premium Subsidy.....	7
Change Item: Enterprise Systems Security and Risk Management.....	9
Change Item: Address Operating Budget Pressures.....	11
Change Item: Enterprise Compliance and Risk Management.....	13
Change Item: Talent Management System.....	16
Change Item: Former Legislators' Enrollment Rights in SEGIP.....	18
Change Item: Flexible Offering of a High Deductible Health Plan.....	19
Accounting Services.....	20
Expenditures Overview.....	21
Financing by Fund.....	22
Budget Services.....	23
Expenditures Overview.....	25
Financing by Fund.....	26
Economic Analysis.....	27
Expenditures Overview.....	29
Financing by Fund.....	30
Debt Management.....	31
Expenditures Overview.....	33
Financing by Fund.....	34
Enterprise Human Resources.....	35
Expenditures Overview.....	37
Financing by Fund.....	38
Labor Relations.....	40
Expenditures Overview.....	42
Financing by Fund.....	43
Agency Administration.....	44
Expenditures Overview.....	45
Financing by Fund.....	46
Enterprise Learning and Development.....	47
Expenditures Overview.....	48
Financing by Fund.....	49
Enterprise Communications and Planning.....	50
Expenditures Overview.....	52
Financing by Fund.....	53
State Employee Group Insurance Program.....	54
Expenditures Overview.....	56
Financing by Fund.....	57
Public Employees Insurance Program.....	58
Expenditures Overview.....	60
Financing by Fund.....	61
Grants Funding Detail.....	62
Internal Service Funds Statements.....	63

www.mn.gov/mmb/

AT A GLANCE

- Approximately 260 employees manage the financial and employee relations responsibilities of the state
- Coordinate biennial budget process for more than 100 agencies, boards, commissions, and the legislative and judicial branches
- Oversee and maintain human resource policy for more than 100 state agencies, boards, and councils, including recruitment, retention, talent management, classification, compensation, and training
- Manage more than \$8 billion in state public debt
- Process an average of 54,000 vendor payments per week
- Process approximately 55,000 employee paychecks twice a month
- The State Employee Group Insurance Program manages health benefits for approximately 127,000 employees, dependents, and retirees
- Responsible for producing twice a year budget and economic forecasts
- Negotiate contracts with 13 state employee bargaining units

PURPOSE

Minnesota Management & Budget (MMB) is responsible for managing state finances, payroll, and human resources and provides systems for daily business operations and information access and analysis.

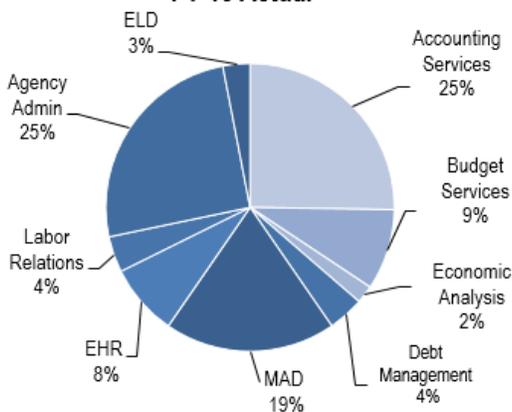
Our mission is to manage state government's financial, workforce, and information resources to support effective and efficient services for Minnesotans. MMB is a central service agency, serving the governor, the legislature, more than 100 state government entities, 55,000 state employees, and the public. MMB priorities include:

- Supporting the governor in establishing policies, and proposing and implementing budgets that benefit the people of Minnesota.
- Providing information that is accessible, consistent, objective, timely, and accurate to state agencies, the legislature, and citizens.
- Providing financial, human resources, and management expertise to help state government meet its goals and responsibilities in an effective and efficient manner.
- Creating a culture in state government that is supportive, constructive, and healthy for our employees.

MMB directly contributes to the statewide outcome of **efficient and accountable government services**.

BUDGET

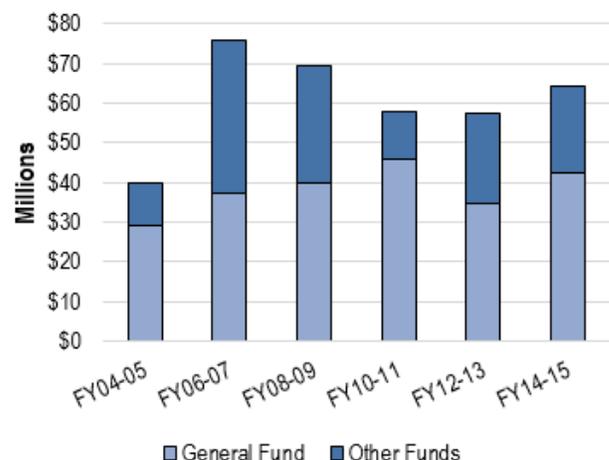
**Spending by Program
FY 15 Actual**



Source: SWIFT

Source: SWIFT

Historical Spending



Source: Consolidated Fund Statement

The fluctuations in general fund spending are the result of the merger of the former Departments of Finance and Employee Relations, and one-time appropriations for system-related projects. The fluctuations in other fund spending are related to the merger (largely tied to SEGIP), statewide systems-related projects, and the increase in MMB's enterprise fund activities (MAD and ELD). Please note that the costs associated with the operation of the State Employees Group Insurance Plan (SEGIP) and the Public Employees Insurance Plan (PEIP) are not reflected in these charts and graphs. Due to the size of the budget of the insurance programs, their costs are only reflected in their respective budget narratives.

As the historical spending graph suggests, the majority of MMB's operating budget is funded through general fund appropriations. For fiscal years 2016 and 2017, \$46 million is provided for core agency activities in accounting, budgeting, economic analysis, debt management, enterprise human resources, labor relations, and management services. Other funds comprise the balance of \$34 million (in special revenue and internal service funds), support a portion of the costs of operating the statewide business systems, and management analysis and training services that are available through MMB. An additional \$18 million has been appropriated from the general fund to pay the debt service costs associated with the building of the state's accounting and procurement system. While not reflected in this document, the estimated costs of the operations of SEGIP for the current biennium are \$1.6 billion, and \$160 million for PEIP. The costs for SEGIP are borne by state agency and employee contributions, and by participant contributions for PEIP.

STRATEGIES

MMB employs several strategies across two program areas to deliver its mission and support the statewide outcome of efficient and accountable government services. These include:

- **Statewide systems** for accounting and human resources necessary to support daily activities of the state
- **Information access**, forecasts and analysis to provide information on state activities and anticipate issues
- **Oversight, controls, and compliance outreach** needed to ensure overall integrity of state operations
- **Decision support activities** for budget development and collective bargaining processes
- **Operations management activities** such as cash management transactions, employee health insurance, management consulting for all agencies, and strategic workforce planning and management

M.S. 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) provides the legal authority for MMB.

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecasted Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	20,063	22,214	19,928	341,062	23,866	23,866	54,390	30,370
2000 - Restrict Misc Special Revenue	62	62	69	64	64	64	64	64
2001 - Other Misc Special Revenue	11,975	9,834	12,742	11,884	11,882	11,890	11,882	11,890
4700 - Public Employees Insurance	80,174	94,114	100,664	116,099	116,099	116,099	116,099	116,099
5200 - Management Analysis	8,335	8,889	7,549	7,298	7,257	7,310	7,257	7,310
5600 - State Employees Insurance	754,622	829,588	859,348	905,855	959,055	1,017,823	958,776	1,017,404
6000 - Miscellaneous Agency	29,592	30,117	33,146	33,601	33,310	33,310	33,310	33,310
Total	904,822	994,818	1,033,447	1,415,862	1,151,532	1,210,361	1,181,777	1,216,446
<i>Biennial Change</i>				549,669		(87,416)		(51,086)
<i>Biennial % Change</i>				29		(4)		(2)
<i>Governor's Change from Base</i>								36,330
<i>Governor's % Change from Base</i>								2

Expenditures by Program

Program: Statewide Services	40,435	40,705	40,289	360,308	43,068	43,129	73,592	49,633
Program: Statewide Insurance Programs	864,387	954,113	993,159	1,055,554	1,108,464	1,167,232	1,108,185	1,166,813
Total	904,822	994,818	1,033,447	1,415,862	1,151,532	1,210,361	1,181,777	1,216,446

Expenditures by Category

Compensation	29,436	23,832	23,189	28,550	26,216	26,417	30,748	30,262
Operating Expenses	875,131	970,733	1,010,163	1,387,242	1,125,245	1,183,873	1,150,958	1,186,113
Other Financial Transactions	255	253	74	71	71	71	71	71
Grants, Aids and Subsidies	0		0					
Capital Outlay-Real Property	0	0	20					
Total	904,822	994,818	1,033,447	1,415,862	1,151,532	1,210,361	1,181,777	1,216,446
Full-Time Equivalents	297.5	253.5	232.7	239.5	230.8	229.5	262.6	258.2

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	5,442	400	3,043	0	0	0	0
Direct Appropriation	37,750	29,872	31,364	346,322	32,671	32,669	63,195	39,173
Net Transfers	(10,333)	(11,965)	(8,790)	(8,302)	(8,805)	(8,803)	(8,805)	(8,803)
Cancellations	2,009	736	3	0	0	0	0	0
Expenditures	20,063	22,214	19,928	341,062	23,866	23,866	54,390	30,370
Balance Forward Out	5,345	400	3,043	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				318,714		(313,258)		(276,230)
<i>Biennial % Change in Expenditures</i>				754		(87)		(77)
<i>Gov's Exp Change from Base</i>								37,028
<i>Gov's Exp % Change from Base</i>								78
Full-Time Equivalents	168.2	155.6	139.4	146.2	137.8	136.9	169.5	165.6

2000 - Restrict Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	5	7	7	8	8	8	8	8
Receipts	64	61	71	64	64	64	64	64
Expenditures	62	62	69	64	64	64	64	64
Balance Forward Out	7	6	8	8	8	8	8	8
<i>Biennial Change in Expenditures</i>				9		(5)		(5)
<i>Biennial % Change in Expenditures</i>				8		(4)		(4)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	0.0	0.0	0	0	0	0	0	0

2001 - Other Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	12,933	11,686	12,524	10,750	10,697	10,541	10,697	10,541
Receipts	11,577	11,718	10,778	11,524	11,422	11,407	11,422	11,407
Net Transfers	165	(1,117)	190	308	304	304	304	304
Expenditures	11,975	9,834	12,742	11,884	11,882	11,890	11,882	11,890
Balance Forward Out	12,698	12,452	10,750	10,697	10,541	10,362	10,541	10,362
<i>Biennial Change in Expenditures</i>				2,816		(854)		(854)

2001 - Other Misc Special Revenue

<i>Biennial % Change in Expenditures</i>				13		(3)		(3)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	53.8	24.2	24.4	24.4	24.4	24.0	24.4	24.0

4700 - Public Employees Insurance

	Actual		Actual		Estimate		Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19		
Balance Forward In	24,058	33,031	35,072	44,765	47,456	50,147	47,456	50,147		
Receipts	89,532	95,815	110,357	118,790	118,790	118,790	118,790	118,790		
Net Transfers	0	0	0	0	0	0	0	0		
Expenditures	80,174	94,114	100,664	116,099	116,099	116,099	116,099	116,099		
Balance Forward Out	33,416	34,732	44,765	47,456	50,147	52,839	50,147	52,839		
<i>Biennial Change in Expenditures</i>				42,476		15,434		15,434		
<i>Biennial % Change in Expenditures</i>				24		7		7		
<i>Gov's Exp Change from Base</i>								0		
<i>Gov's Exp % Change from Base</i>								0		
Full-Time Equivalents	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5		

5200 - Management Analysis

	Actual		Actual		Estimate		Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19		
Balance Forward In	1,823	1,600	1,178	946	1,030	1,155	1,030	1,155		
Receipts	8,072	7,970	7,317	7,382	7,382	7,382	7,382	7,382		
Expenditures	8,335	8,889	7,549	7,298	7,257	7,310	7,257	7,310		
Balance Forward Out	1,560	681	946	1,030	1,155	1,227	1,155	1,227		
<i>Biennial Change in Expenditures</i>				(2,377)		(281)		(281)		
<i>Biennial % Change in Expenditures</i>				(14)		(2)		(2)		
<i>Gov's Exp Change from Base</i>								0		
<i>Gov's Exp % Change from Base</i>								0		
Full-Time Equivalents	27.2	29.0	25.5	25.5	25.2	25.2	25.2	25.2		

5600 - State Employees Insurance

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	243,453	269,946	249,092	224,659	222,223	245,147	222,223	245,147
Receipts	787,762	807,733	834,935	903,439	981,998	1,043,838	981,998	1,043,838
Net Transfers	(16)	(10)	(21)	(21)	(21)	(21)	(21)	(21)
Expenditures	754,622	829,588	859,348	905,855	959,055	1,017,823	958,776	1,017,404
Balance Forward Out	276,578	248,081	224,659	222,223	245,147	271,141	245,147	271,141
<i>Biennial Change in Expenditures</i>				180,994		211,675		210,977
<i>Biennial % Change in Expenditures</i>				11		12		12
<i>Gov's Exp Change from Base</i>								(698)
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	46.8	43.2	41.9	41.9	41.9	41.9	41.9	41.9

6000 - Miscellaneous Agency

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	4,778	4,399	5,523	5,082	4,742	4,692	4,742	4,692
Receipts	29,213	31,241	32,705	33,260	33,260	33,260	33,260	33,260
Expenditures	29,592	30,117	33,146	33,601	33,310	33,310	33,310	33,310
Balance Forward Out	4,399	5,523	5,082	4,742	4,692	4,642	4,692	4,642
<i>Biennial Change in Expenditures</i>				7,037		(126)		(126)
<i>Biennial % Change in Expenditures</i>				12		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

Minnesota Management and Budget

FY18-19 Biennial Budget Change Item

Change Item Title: 25% Health Insurance Premium Subsidy

Fiscal Impact (\$000s)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Minnesota Management and Budget					
General Fund					
Expenditures	311,645	0	0	0	0
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Commerce					
General Fund					
Expenditures	300	0	0	0	0
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	311,945	0	0	0	0
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends a \$311,645,000 appropriation from the general fund to the commissioner of Minnesota Management and Budget (MMB) to administer the health insurance premium subsidy. This appropriation would be available in fiscal year 2017. The Governor also recommends a \$300,000 appropriation to the commissioner of Commerce to conduct prospective reviews of information submitted by health plans to facilitate accurate payments to them. The funding for this program is offset by a reduction to the budget reserve defined in M.S. 16A.152.

Rationale/Background:

Premiums for people purchasing their own health insurance are increasing by 50 to 66 percent in 2017. Approximately 240,000 people are expected to purchase insurance on the individual market in 2017, but only 25 percent of them may qualify for federal tax credits. The burden of this cost has disproportionately been shifted to individual market consumers who do not receive federal tax credits, about 3% of Minnesotans. Anyone purchasing health insurance on the individual market in 2017 who is not receiving federal tax credits or enrolled in a state public program is eligible to receive the subsidy. About 196,000 people are expected to participate in the program.

Proposal:

- Eligible individuals would receive a subsidy equal to 25% of the premium of the health insurance product they purchase. This will reduce the 2017 rate increases from an average 55 percent increase to a 16 percent increase.
- The state would pay a subsidy to health carriers on behalf of the individuals that will reduce the amount billed to consumers by 25%.
- Once the health carriers have prepared invoices that include the 25% premium subsidy, the consumer will be required to pay the monthly premium after the 25% premium subsidy has been subtracted.
- After the consumer has paid the reduced premium to the health carrier, MMB will provide reimbursement to the health carriers upon proof of payment by the consumer.
- Health carriers will coordinate with Minnesota Management and Budget (MMB) so that the premium subsidy will be included in the invoice to the consumer at the earliest possible time.

- Despite the subsidy not being fully-operational in time to impact invoices at the beginning of the year, consumers will receive subsidies for all months of coverage purchased in 2017. The extra months' subsidies will be applied to future invoices.

Results:

About 196,000 Minnesotans could see a reduction in their health insurance premium costs by providing a subsidy to provide relief in the significant increase in their costs for calendar year 2017.

Minnesota Management and Budget

FY18-19 Biennial Budget Change Item

Change Item Title: Enterprise Systems Security and Risk Management

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	13,927	4,277	4,277	4,277
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	13,927	4,277	4,277	4,277
FTEs	20	20	20	20

Recommendation:

The Governor recommends a general fund increase of \$18,204 in the FY2018-2019 biennium to increase security, support disaster planning and recovery, and ensure optimal operation of the IT systems that support enterprise operations. This includes software, hardware, the people to implement the software, and the people to train thousands of system users across the enterprise. The request also includes one-time funding to put in place disaster recovery for these critical systems.

Rationale/Background:

MMB's enterprise systems, including payroll processing, accounting, and human resource management are critical to providing services required of state government. The state has invested millions of dollars purchasing and implementing these systems. These systems require regular maintenance and upgrades. Without system maintenance, the state risks security and data breaches, and more costly system replacement projects in the future. A poorly performing or broken system also reduces MMB's ability to perform its duties that rely on the wealth of data and information stored within these systems.

In addition to regular maintenance of MMB's systems, the agency must also focus on disaster-preparedness. The agency currently has limited ability to recover its systems to the extent necessary for critical operations. The agency needs data recovery plans and capabilities for its enterprise systems. Many of MMB's services (such as payroll, personnel, and financial) are priority services and must be maintained or quickly resumed after an incident.

Proposal:

The Governor recommends ongoing funding to support MMB's systems, improve accessibility, reduce the risk of security and data breaches, and ensure its ability to bring critical systems up in the event of a disaster. For the FY2018-2019 biennium this includes:

- \$8 million to complete the upgrade to SWIFT, the state's online financial, procurement, and reporting system to a newer version that is supported by the software company to avoid higher ongoing maintenance costs, receive accessibility updates, and address software bugs.
- \$3.3 million to purchase replacement hardware of specialized design (Oracle Exadata) that provide the necessary capacity to efficiently work with large volumes of data at one time to help make our statewide systems like Statewide Accounting/Procurement and HR/Payroll systems perform at an acceptable level.
- \$750,000 to purchase data-stage software to support enterprise reporting by efficiently moving large amounts of data from the source systems to the data warehouse.
- \$2.1 million for ongoing software upgrades to keep systems current, reducing risk and future upgrade costs.
- \$3.8 million for 20 new FTE to support enterprise systems and conduct regular system repair, maintenance, upgrades, and testing, to provide regular training and materials for more than 8,000 users, to develop and implement a sustainable disaster recovery process and infrastructure, and to support enterprise Continuity of Operations planning and communication.

The funding increase will allow MMB to complete the following projects by:

- SWIFT upgrade complete in FY 2018
- Exadata upgrade complete in FY 2018
- Data Stage implementation complete in FY 2019
- Disaster recovery process and infrastructure complete in FY 2019

IT Related Proposals:

MMB anticipates the ongoing biennial IT costs to be \$8 million for system upgrades, software, hardware, and the personnel to complete the work and train system users.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	# of security incidents per quarter	1	1	FYQ3, Q4
Quality	# of unscheduled system interruptions	8	7	FYQ3, Q4

Minnesota Management and Budget

FY18-19 Biennial Budget Change Item

Change Item Title: Address Operating Budget Pressures

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	737	1,361	1,361	1,361
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	737	1,361	1,361	1,361
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of \$2.098 million for the FY2018-2019 biennium to maintain the current level of service delivery at Minnesota Management and Budget (MMB).

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

For MMB, operating cost pressures exist in multiple categories—increases in compensation and insurance costs at the agency, severance cost increases as we experience escalating retirements within our staff, and increases in lease costs.

If an operational increase is not provided, the services MMB delivers to Minnesotans will be impacted. Some examples of potential impacts include:

- The state would be subject to an increased risk of financial penalty due to a compromised ability to comply with federal tax and securities laws in regards to the state's debt portfolio and to instruct and guide local units of government and state agencies on the proper use of bond proceeds.
- We would have reduced capacity for timely resolution of issues raised by capital projects funded by the legislature, as well as timely issuance of approvals required by statute, which would result in a slowdown in construction of those projects.
- Release of budgetary-related information such as fund statements and forecast-related documents that are posted to the web would likely be delayed. We may miss statutory deadlines for the release of this information.
- The integrity of our state's financial management practices would be jeopardized. Our ability to monitor and reconcile financial and payroll transactions would be diminished. Inaccurate information reported to the IRS could subject the state to fines and penalties. We also risk overdraft fees if bank accounts are not adequately monitored. Our timeliness in responding to vendor and agency staff inquiries would be greatly reduced. We would also risk not meeting reporting deadlines.

- Diminished capacity to: (1) effectively support agencies in human resources management and oversight, (2) impact positive outcomes of arbitration and veteran's preference hearings, and (3) coach, train, and interpret policies and bargaining agreements with human resources professionals.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For MMB, this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs. An increase in MMB's operating funds would be distributed to the general fund supported activities across MMB, addressing the following operating cost areas:

- MMB compensation costs are expected to rise by \$1.3 million in the FY18-19 biennium.
- Lease costs are expected to increase by 3% adding an additional cost of \$66,000 to MMB's operating budget.

Results:

This proposal is intended to allow MMB to continue to provide current levels of service and information to the public.

Minnesota Management and Budget

FY18-19 Biennial Budget Change Item

Change Item Title: Enterprise Compliance and Risk Management

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	860	866	866	866
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	860	866	866	866
FTEs	8.75	8.75	8.75	8.75

Recommendation:

The Governor recommends ongoing funding from the general fund for Minnesota Management and Budget (MMB) to regulate compliance measures and mitigate risk in the management of complex enterprise services. The recommendation includes \$860,000 in fiscal year 2018, and \$866,000 in fiscal year 2019 and beyond.

Rationale/Background:

A substantial portion of MMB's work is ensuring compliance and reducing or eliminating risk across the enterprise. Due to reductions in available operating funds, additional responsibility, or changes in federal or state law, MMB needs additional resources to address current challenges in this arena. This includes:

- The Economic Analysis Unit forecasts state tax revenues in November and February each year. The November Budget & Economic Forecast is the starting point for the state budget and the basis for the Governor's budget. The legislature and the Governor use the February Budget & Economic Forecast to set the budget and ensure that enacted budgets remain on track and in balance. Consequently, budget stability directly depends on revenue forecast accuracy. As revenue sources become more volatile, it is more difficult to produce an accurate revenue forecast. Over the last two decades, the volatility of Minnesota's income tax revenue—the source of half of Minnesota's general fund—has nearly tripled. Without additional resources MMB risks inaccurate forecasts.
- In December 2016, the federal law controlling work hours and overtime (the Fair Labor Standards Act, FLSA) changed. As a result, MMB must review and adjust job classifications and pay ranges on behalf of the enterprise. Hundreds of job classes spanning dozens of pay ranges may be impacted by these changes.
- The Statewide Payroll Services section oversees the payroll processing for approximately 55,000 state employees. Budget reductions in the past 10 years have reduced staffing levels by 14%. These reductions have impacted the section's ability to address ongoing demands to ensure the accuracy and timeliness of the state's payroll processes.
- The Debt Management Division issues debt to support authorized capital projects and programs, and refinances debt when appropriate. This includes complying with Internal Revenue Service (IRS) and Securities and Exchange Commission (SEC) rules and regulations, and state laws. In recent years, the IRS and SEC have increased scrutiny of state and municipal debt issuers, requiring more work of the Debt Management Division including: maintaining robust post-issuance compliance policies and practices, observing arbitrage restrictions, tracking the expenditure of bond proceeds and use of bond financed property, implementing disclosure policies and procedures, more detailed disclosing of state financial and operating data in connection with a bond sale, and ongoing financial and operating data disclosure after bonds sell. Additionally, the legislature has funded more complex projects that raise federal tax issues authorized new types of debt financings. The Debt Management Division spends significant time reacting to these issues, which impacts MMB's ability to proactively manage the various regulatory requirements. These dynamics have increased the risk that the state could face financial penalties or be subject to enforcement actions.
- Despite various laws and executive orders regarding accessibility, there is no centralized office to ensure all state agencies comply with laws and requirements, or provide direction and guidance to the enterprise. The accessibility of

documents, websites, meetings, and facilities varies among agencies, as does the existence of policies, training, communication, and resources. This creates inefficiencies and ultimately different experiences for both employees and those interacting with state government.

Proposal:

1.25 FTE addition to the Economic Analysis Unit. 1 FTE would create a third staff economist to provide back-up to the sole staffer who forecasts the income tax. The new economist will also gradually take over the sales tax forecast. This will free the senior economist to adapt income tax forecast models to the new, more volatile environment, thus improving income tax forecast accuracy and reducing forecast error. In addition, the new economist will help the unit respond to legislative requests for information about uncertainty and risks in our economic and revenue forecasts. The unit would also add a summer intern (.25 FTE) to conduct analyses to improve the accuracy of the forecasting models.

2 FTE addition to the Enterprise Human Capital Division dedicated to enterprise FLSA / classification work, including: auditing 1800 job classes and positions within those job classifications; interviewing and meeting with managers/supervisors and their staff; reviewing and rewriting class specifications; updating payroll and human resource systems to create a new category of “exempt by duties but not by salary” and monitoring changes every workweek / pay period; creating a system for monitoring employees with multiple appointments and part-time work that may or may not fall under the restrictions of the new law; and communicating/implementing these changes within the agencies.

1.5 FTE addition to the Statewide Payroll Services Section to assist with strategic activities and provide back up to critical functions, such as employer tax reporting which is currently done by one individual. The additional staff would lead projects to enhance internal controls, strengthen compliance, conduct risk assessments, and improve processes in payroll related functions such as employee timesheet entry, system security, worker classification, and salary projections. Other projects include updating policies and procedures, business continuity plans, and payroll training materials. Staff would also work on the redesign and development of reports needed to support payroll operations for an upgraded payroll system.

1 FTE addition to the Debt Management Division to assist with regulatory compliance measures related to the use of bond proceeds and bond financed property. Currently, the Debt Management Division has only one FTE that tracks state bond financed property, including private use and change in use, approves legal documents so that funded projects can get underway, conducts trainings, and evaluates projects for bond eligibility. Adding an additional staff member will allow the division to better allocate resources to address the following needs: (1) greater ability to issue required approvals of legal documents in a timely manner; (2) additional capacity to conduct legal reviews of proposed projects; (3) increased training capacity to educate key stakeholders, including state agencies and legislative staff; (4) increased audit capacity to monitor whether funded projects are following rules; and (5) potential to develop formal systems for tracking use and location of state bond financed property.

3 FTE addition in a new office of accessibility. One director position to coordinate, develop strategy, and provide direction to the enterprise around all facets of accessibility, from compliance to creating an inclusive and accessible environment for employees, customers, and general public. Two coordinator positions will support the work by creating materials, training, communications, and other assistance.

Results:

Forecast Accuracy:

	Long-term average (FY90-91 to FY14-15)	Recent average (FY10-11 to FY14-15)	Trend in accuracy
1 st February forecast (+29 months from actual)	5.4%	4.0%	Improved
2 nd February forecast (+17 months from actual)	3.1%	2.7%	Improved
3 rd February forecast (+5 months from actual)	0.7%	1.3%	Worse

Type of Measure	Name of Measure	Previous	Current	Dates
Results	<p>The state's general obligation bond ratings as of July 2014 compared to July 2016. In 2015, Standard & Poor's upgraded the state's economic outlook from stable to positive. In 2016, Fitch upgraded the state's rating from AA+ to AAA.</p> <ul style="list-style-type: none"> • Moody's • Standard & Poor's • Fitch 	<p>Aa1 (stable) AA+ (stable) AA+ (stable)</p>	<p>Aa1 (stable) AA+ (positive) AAA (stable)</p>	<p>July 2014, August 2016</p>
Results	<p>Capital Investment Guidelines</p> <ul style="list-style-type: none"> • Total tax-supported principal outstanding as a percent of state personal income (target: not greater than 3.25%) • Total amount of principal (both issued, and authorized but unissued) as a percent of state personal income (target: not greater than 6.0%) • General obligation bonds scheduled to mature quickly (target: 40% within five years and 70% within 10 years) 	<p>2.97% 4.25% 40.5%/70.9%</p>	<p>2.91% 3.95% 40.3%/71.2%</p>	<p>February 2014, February 2016 June 30, 2014, June 30, 2016</p>
Results	<p>A comparison of the interest rates from year 1 to 10 of state general obligation bonds sold compared to a municipal bond index for similarly rated bonds.</p>	<p>The state's interest rates were less than the index (0.11%)</p>	<p>The state's interest rates were less than the index (0.09%)¹</p>	<p>August 2014, August 2016</p>

¹ In light of the 2016 rating upgrade to AAA from Fitch, a comparison of the interest rates from year 1 to 10 of the state's 2016 general obligation bonds to a municipal bond index for AAA-rated bonds would show the state's interest rates were 0.04% higher than the AAA index.

Minnesota Management and Budget

FY18-19 Biennial Budget Change Item

Change Item Title: Talent Management System

Fiscal Impact (\$70s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	15,000	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	15,000	0	0	0
FTEs	3	0	0	0

Recommendation:

The Governor recommends a one-time \$15 million appropriation from the general fund to support his goals of integrating statewide values including equity, diversity, and inclusion into a new talent management system that provides 24/7 access to performance feedback and development planning designed to help every employee achieve their full potential.

Rationale/Background:

The talent management system will improve processes for developing and retaining people with the required skills and aptitude to meet current and future needs of the State. This online system will empower State employees to take a more active role in defining goals to measure their performance and development. Whereas traditional human resource systems focus primarily on transaction processing and the administration of basic human resources processes such as personnel administration, payroll, and time management, a talent management system focuses on providing strategic assistance to organizations in the accomplishment of long-term statewide goals with respect to human capital. Most large employers have an online talent management system whereas the State uses manual paper-based processes housed within each agency.

The talent management system is a web-based technology provided by software vendors that allows employees and managers to complete goal setting, performance appraisals, and career development plans online instead of manually on paper. Employees and managers access online forms to record, update, and maintain employee performance and development information. The talent management system is a tool for both managers and employees that will allow on demand access to employee goals, performance appraisal history, and career development plans and activities.

The State of Minnesota's current approach to talent management and development differs by agency and is not as efficient as possible. According to a 2016 survey by the Center for State & Local Government Excellence, the top public sector talent issues are recruiting qualified talent, talent succession planning, and staff development.

The State of Minnesota, like all other employers, faces a tightening labor market over the next two decades due to retirements and fewer people entering the labor force. It will become increasingly difficult to attract the talent needed to maintain the services that Minnesotans depend on. Last year, the state lost 16,000 years of employee experience through retirements alone. Turnover rates among younger state employees are also rising. Employee turnover costs include vacation and sick payout, employee separation administration, recruiter and supervisor interviewing, training costs, as well as productivity losses while position is open and during new employee learning curve.

Proposal:

To better develop, and retain the talent the state needs, the Governor recommends building capacity to manage talent performance feedback and career development.

- Create enterprise talent processes that integrate statewide values including equity, diversity, and inclusion into goal setting, performance feedback, and career development.

- Deliver consistent training based on common values and priorities that is available to all. Includes new or improved online compliance and diversity training for all. This will help reduce risk by ensuring employees understand laws, policies, and regulations.

Results:

The future performance measures of ETD will include:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	% of development goals achieved	N/A	N/A	
Quantity	% of business goals achieved	N/A	N/A	
Quality	Employee feedback on training	N/A	N/A	
Quality	Employee promotion readiness	N/A	N/A	
Quantity	% of employees with 3+ goals	N/A	N/A	
Quantity	% of employees with completed performance evaluation	N/A	N/A	
Quantity	% of employees who complete compliance/diversity training	N/A	N/A	

Minnesota Management and Budget

FY18-19 Biennial Budget Change Item

Change Item Title: Former Legislators' Enrollment Rights in SEGIP

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	(158)	(168)	(178)	(190)
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(158)	(168)	(178)	(190)
FTEs	0	0	0	0

Recommendation:

The Governor recommends amending M.S. 43A.27 to align the eligibility of former legislators to participate in the State Employee Group Insurance Program (SEGIP) with eligibility provided to retired judges. The proposal would result in a reduction in expenditures from the State Employee Insurance Fund in the FY2018-2019 biennium by \$326,000.

Rationale/Background:

Retired judges have a one-time opportunity to enroll in the State Employee Group Insurance Program upon retirement. Currently, former legislators may enroll in the program at any point and for any length of time, and may dis-enroll and return to the program later. This proposal brings the eligibility rights of former legislators into line with those of retired judges.

The ability to enroll and dis-enroll in health insurance coverage at any time creates the possibility of enrolling for one month each year and receiving annual medical and dental services, or only enrolling upon a major medical event. This results in shifting of the costs of health care for former legislators to other state employees.

Proposal:

The Governor recommends amending M.S. 43A.27 so that a former legislator has the same enrollment rights in the State Employee Group Insurance Program as a retired judge. There is no impact on active legislators; this proposal only affects former legislators. This request is anticipated to save the program \$326,000 in the FY2018-2019 biennium.

The proposed effective date is July 1, 2017 and will require changes to existing documentation and notice to vendors and affected parties.

Results:

This change is a technical change to an existing program. There is no measurement specific to this technical aspect of the program.

Statutory Change(s):

M.S. 43A.27

Minnesota Management and Budget

FY18-19 Biennial Budget Change Item

Change Item Title: Flexible Offering of a High Deductible Health Plan

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	(121)	(251)	(266)	(283)
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(121)	(251)	(266)	(283)
FTEs	0	0	0	0

Recommendation:

The Governor recommends amending M.S.43A.23 subdivision 1(d) so that the commissioner of Minnesota Management and Budget (MMB) has the option, and not the requirement, to offer a health plan compatible with the definition of a high-deductible health plan in section 223 of the United States Internal Revenue Code. This amendment would result in a reduction in expenditures from the State Employee Insurance Fund of \$372,000 for the FY2018-2019 biennium.

Rationale/Background:

M.S.43A.23 subdivision 1(d) requires MMB's commissioner to offer a health plan compatible with the definition of a high-deductible health plan (HDHP) in section 223 of the United States Internal Revenue Code to employees covered by the commissioner's plan (43A.18 subdivision 2) and the managerial plan (43A.18 subdivision 3).

The HDHP is offered to the approximately 5,120 employees covered by either the commissioner's or managerial employment plans. However, only approximately 110 employees in any year have elected the HDHP. Despite efforts to make the HDHP more attractive, the program has not gained traction among eligible employees and the participation rate remains at approximately two percent.

The low participation rate makes the administration of the HDHP costly. The administration of the HDHP is anticipated to total approximately \$501,000 for the 2018 and 2019 plan years. It costs approximately 40 times as much per participant to administer the HDHP as it does the regular state employee health plan. This high cost is despite aligning the administration of the HDHP with the regular health plan.

Proposal:

The Governor recommends amending M.S. 43A.23 so that the MMB commissioner has the option to provide a HDHP for employees in the commissioner's and managerial employment plans.

This proposal will take effect on August 1, 2017. This will allow sufficient time for currently enrolled members to be notified of the change and be prepared to enroll in the regular Minnesota Advantage Program during the upcoming Open Enrollment for calendar year 2018.

Results:

This change is a technical change to an existing program. There is no measurement specific to this technical aspect of the program.

Program: Statewide Services
Activity: Accounting Services
mn.gov/mmb/accounting

AT A GLANCE

- 67,033 employees paid during CY 2015
- 2.5 million payments made to vendors during FY 2016
- As of August 2016, there are over 8,200 users of the SWIFT and SEMA4 systems

PURPOSE & CONTEXT

Accounting Services is the foundation that supports the state’s financial management operations. It provides the required infrastructure for efficient and effective accounting and payroll services that are conducted throughout the state. Our primary customers are state agencies and the individuals and organizations that do business with the state.

SERVICES PROVIDED

We provide the following services:

- Establish statewide policies and procedures to safeguard assets and comply with legal requirements.
- Direct the operation and use of the statewide accounting and payroll systems.
- Process bi-weekly payroll for state employees and issue payments to various types of vendors including individuals, businesses, nonprofit organizations, school districts, and other governmental units.
- Prepare statewide financial reports including the Comprehensive Annual Financial Report (CAFR), Single Audit Report, and Statewide Indirect Cost Allocation Plan.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Payroll checks issued that are voided	.039%	.034%	2015, 2016
Quality	State agency payments issued within 30 days	97.35%	97.33%	2015, 2016
Quality	Payments issued electronically	89.24%	90.53%	2015, 2016
Results	Achieve Certificate of Excellence in Financial Reporting and unqualified audit opinion for the Comprehensive Annual Financial Report	Both met	Both met	2015, 2016

The legal authority for MMB’s Accounting Services activities comes from M.S. 16A (<https://www.revisor.mn.gov/statutes/?id=16A>).

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	4,255	4,869	4,819	5,060	5,060	5,060	5,213	5,216
Total	4,255	4,869	4,819	5,060	5,060	5,060	5,213	5,216
<i>Biennial Change</i>				755		241		550
<i>Biennial % Change</i>				8		2		6
<i>Governor's Change from Base</i>								309
<i>Governor's % Change from Base</i>								3

Expenditures by Category

Compensation	4,114	4,612	4,512	4,622	4,622	4,622	4,775	4,778
Operating Expenses	138	255	305	434	434	434	434	434
Other Financial Transactions	3	2	2	4	4	4	4	4
Total	4,255	4,869	4,819	5,060	5,060	5,060	5,213	5,216
<u>Full-Time Equivalents</u>	46.7	50.0	47.1	47.1	44.0	43.0	45.5	44.5

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	12	0	153	0	0	0	0
Direct Appropriation	12,915	12,915	13,938	14,012	14,015	14,013	14,168	14,169
Net Transfers	(6,652)	(7,711)	(8,966)	(9,105)	(8,955)	(8,953)	(8,955)	(8,953)
Cancellations	1,996	348	0	0	0	0	0	0
Expenditures	4,255	4,869	4,819	5,060	5,060	5,060	5,213	5,216
Balance Forward Out	12	0	153	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				755		241		550
<i>Biennial % Change in Expenditures</i>				8		2		6
<i>Gov's Exp Change from Base</i>								309
<i>Gov's Exp % Change from Base</i>								3
Full-Time Equivalents	46.7	50.0	47.1	47.1	44.0	43.0	45.5	44.5

Program: Statewide Services

Activity: Budget Services

www.mn.gov/mmb/budget/

AT A GLANCE

- Provide budget assistance, guidance, instructions, monitoring, and oversight to more than 100 agencies for the state’s \$77 billion biennial budget
- Annually release February and November budget and economic forecasts
- Completed 501 fiscal notes in 2016
- Convened 16 results conferences with state agencies in FY 2016

PURPOSE & CONTEXT

Budget Services works to promote sound fiscal policy in decision-making and helps to ensure the appropriate use of state resources through the provision of accurate and timely information. We support the efficient and effective use of state resources by establishing statewide oversight for the budget process and work to build the capacity of state agencies to use performance information in the management of state government services. This activity is comprised of three sections: Budget Planning and Operations, Budget Policy and Analysis, and Results Management. Our primary customers are the Governor’s Office, state agencies, the legislature, and Minnesotans.

SERVICES PROVIDED

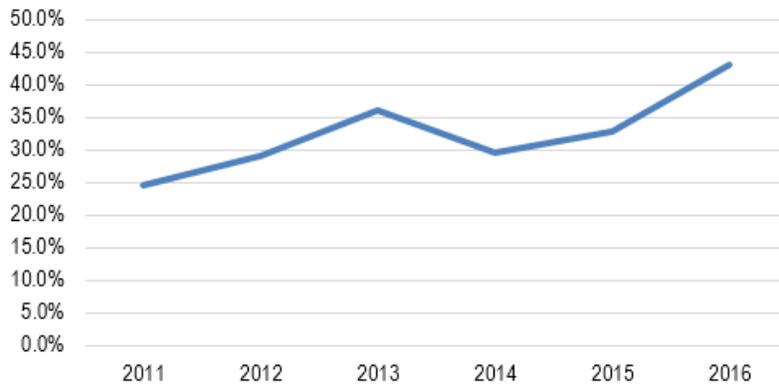
Budget Services meets customer needs by:

- Creating objective, relevant, and accessible information for decision-makers such as the budget and economic forecasts, the Governor’s operating and capital budget recommendations, the general fund balance analysis, and the consolidated fund statement.
- Articulating fiscal policy issues of statewide importance through services and products such as rating agency presentations, budget decision-support, and statewide cash flow analysis.
- Increasing access to budget and fiscal policy information through the provision of statewide guidance and the development and maintenance of the Budget Planning and Analysis, Fiscal Note Tracking, and Capital Budget systems.
- Providing leadership and support for statewide results management through the publication of a statewide dashboard (<https://mn.gov/mmb/mn-dashboard/>) and by convening results conferences focused on population indicators.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Percentage of survey respondents indicating overall satisfaction with the budget systems (Budget Planning & Analysis System – BPAS and Fiscal Note Tracking System – FNTS)	N/A	BPAS – 74% FNTS – 83%	June 2015
Quality	Percent of results management conference participants reporting the conference was valuable	97%	94%	FY 2015, FY 2016

Percent of Fiscal Notes Completed by Date Requested



M.S. 3 (<https://www.revisor.mn.gov/statutes/?id=3>) and M.S. 16A (<https://www.revisor.mn.gov/statutes/?id=16A>).

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	3,417	3,365	3,027	3,675	3,650	3,650	3,650	3,650
2001 - Other Misc Special Revenue	428	0	78	127	42	0	42	0
Total	3,845	3,365	3,105	3,802	3,692	3,650	3,692	3,650
<i>Biennial Change</i>				(303)		435		435
<i>Biennial % Change</i>				(4)		6		6
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	3,342	3,165	2,959	3,566	3,526	3,490	3,526	3,490
Operating Expenses	489	177	145	231	161	155	161	155
Other Financial Transactions	14	23	1	5	5	5	5	5
Total	3,845	3,365	3,105	3,802	3,692	3,650	3,692	3,650
<u>Full-Time Equivalents</u>	30.4	28.6	27.3	27.3	27.3	27.0	27.3	27.0

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	2,029	0	441	0	0	0	0
Direct Appropriation	7,303	3,528	4,633	4,681	4,681	4,681	4,681	4,681
Net Transfers	(1,844)	(2,159)	(1,162)	(1,447)	(1,031)	(1,031)	(1,031)	(1,031)
Cancellations	13	33	3	0	0	0	0	0
Expenditures	3,417	3,365	3,027	3,675	3,650	3,650	3,650	3,650
Balance Forward Out	2,029	0	441	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(79)		598		598
<i>Biennial % Change in Expenditures</i>				(1)		9		9
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	27.3	28.5	26.9	26.9	26.9	27.0	26.9	27.0

2001 - Other Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	0	0	22	22	0	22	0
Receipts	428	0	100	127	20	0	20	0
Expenditures	428	0	78	127	42	0	42	0
Balance Forward Out	0	0	22	22	0	0	0	0
<i>Biennial Change in Expenditures</i>				(223)		(162)		(162)
<i>Biennial % Change in Expenditures</i>				(52)		(79)		(79)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	3.1	0.0	0.4	0.4	0.4	0	0.4	0

Program: Statewide Services

Activity: Economic Analysis

mn.gov/mmb/forecast/

AT A GLANCE

Outputs (# per year)

- Budget & Economic Forecast (2)
- Revenue & Economic Update (4)
- Monthly Revenue Memo (8)
- Budget Reserve Report (1)
- Revenue Forecast Uncertainty Report (1)
- Rating Agency Presentation (3)
- Data for bond sale Official Statement (2-3)
- Public Speaking Engagements (25+ events, reaching 2500+ individuals)
- Media Contacts (40+)

Resources

- Three FTEs (2 economists / 1 model programmer)
- Minnesota State Economist (under contract with University of Minnesota)

PURPOSE & CONTEXT

Economic Analysis forecasts state tax revenues in November and February each year as required by state law (M.S. 16A.103). The *November Budget & Economic Forecast* is the starting point for the state budget and the basis for the governor’s budget recommendations. In February, we update the forecast with new information. The legislature and the governor use the *February Budget & Economic Forecast* to set the budget and to ensure, through short-term budget adjustments, that enacted budgets remain on track and in balance. Bond rating agencies and other analysts use forecast information to assess the state’s economic and financial condition. The media use it to inform the public.

In addition to the twice-yearly forecasts, we prepare a quarterly *Revenue & Economic Update* in January, April, July and October of each year. The *Revenue & Economic Update* compares actual revenue collections for the current year to the most recent revenue forecast and reports changes in the national and state economic outlook.

Economic Analysis produces objective research and analysis related to Minnesota’s economy and revenues. This research improves the reliability of existing economic and revenue forecasting models and informs state and local government policymakers, the academic and business communities, the media, and the general public about Minnesota’s economic and financial condition.

SERVICES PROVIDED

Description of Primary Services:

- Credible and timely forecasts of major state general fund revenue sources. This includes taxes on personal income, general sales, corporate income, deed transfers and mortgage registries, insurance gross receipts, and other sources.
- Quarterly and monthly comparisons of forecast revenue with actual collections for major state general fund sources.
- Clear and timely information about the state economy, including forecasts of employment, income, and other measures of economic activity.
- Analysis of the volatility of major state revenue sources and their components. Through this analysis, we estimate the appropriate size for a state rainy day fund as required by state law (M.S. 16A.152).
- Analysis of uncertainty in Minnesota’s revenue projections as required by state law (M.S. 16A.103).

RESULTS

A forecast error—the difference between the level of revenues forecast and the amount actually collected—can be a gauge of forecast accuracy. Actual collections never precisely match the forecast, in part because we cannot fully anticipate how unforeseen changes in the national economy or in federal tax laws will affect state revenues. Moreover, uncertainty about the revenue impacts of changes in state tax laws can add to forecast errors. Nonetheless, revenue forecast errors provide a base performance measure for the primary activities of Economic Analysis.

Since accuracy in forecasting a single biennium's revenues should improve the closer we get to the end of the two-year period, we calculate separate errors for each time a biennium is part of the February forecast: 29, 17, and 5 months from actual. The results show, as expected, that our accuracy in forecasting a single biennium improves over time.

To determine whether our accuracy is generally improving, we compare the average percentage errors from the most recent three biennia to the errors over the longer term. We make this comparison for each of the three February forecasts. We find that the accuracy of the first February revenue forecast (29 months from actual) and the second February forecast (17 months from actual) have both **improved** compared to the long-term average. The accuracy of the third February revenue forecast (5 months out) has **worsened** compared to the long-term average.

	Long-term average (FY90-91 to FY14-15)	Recent average (FY10-11 to FY14-15)	Trend in accuracy
1 st February forecast (+29 months from actual)	5.4%	4.0%	Improved
2 nd February forecast (+17 months from actual)	3.1%	2.7%	Improved
3 rd February forecast (+5 months from actual)	0.7%	1.3%	Worse

The legal authority for MMB's Economic Analysis activities comes from M.S. 16A.103 and M.S. 16A.152 (<https://www.revisor.mn.gov/statutes/?id=16A>).

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	473	571	561	557	548	548	656	659
Total	473	571	561	557	548	548	656	659
<i>Biennial Change</i>				74		(22)		197
<i>Biennial % Change</i>				7		(2)		18
<i>Governor's Change from Base</i>								219
<i>Governor's % Change from Base</i>								20

Expenditures by Category

Compensation	308	325	338	326	321	321	429	432
Operating Expenses	165	247	224	231	227	227	227	227
Total	473	571	561	557	548	548	656	659
<u>Full-Time Equivalents</u>	3.0	3.0	3.0	3.0	3.0	3.0	4.3	4.3

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	36	0	0	0	0	0	0
Direct Appropriation	450	450	456	481	472	472	580	583
Net Transfers	59	85	106	76	76	76	76	76
Expenditures	473	571	561	557	548	548	656	659
Balance Forward Out	36	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				74		(22)		197
<i>Biennial % Change in Expenditures</i>				7		(2)		18
<i>Gov's Exp Change from Base</i>								219
<i>Gov's Exp % Change from Base</i>								20
Full-Time Equivalents	3.0	3.0	3.0	3.0	3.0	3.0	4.3	4.3

Program: Statewide Services

Activity: Debt Management

mn.gov/mmb/debt-management/

AT A GLANCE

- Current bond ratings: Aa1/AA+/AAA with Moody's, Standard & Poor's and Fitch
- \$6.6 billion of general obligation bonds currently outstanding, including \$1.077 billion issued in CY 2015 and \$799 million issued in CY 2016
- \$1.6 billion of other tax-supported debt currently outstanding, including \$158.7 million issued in CY 2015 and \$38.3 million issued in CY 2016
- \$116.7 million of revenue bonds currently outstanding
- \$28 million outstanding balance in Master Lease Programs that finance technology and fleet services
- Debt managed to established Capital Investment Guidelines and to meet federal tax and securities law requirements

PURPOSE & CONTEXT

The Debt Management Division is responsible for both debt management and capital budget implementation and the compliance associated with each. Both of these functions seek to increase state government's capacity to manage our resources to ensure exceptional service and value for Minnesota citizens. We serve state agencies, local government grantees, bondholders, the Governor, the legislature and their staff, and citizens.

The bonds and other debt we sell finance and refinance authorized capital projects and programs. When selling bonds, the Division seeks to minimize cost and risk to the state. The current debt portfolio continues to be in compliance with the established Capital Investment Guidelines.

The Debt Management Division oversees compliance with all applicable Internal Revenue Service and Securities and Exchange Commission rules and regulations, and all applicable state laws relating to municipal bonds and the capital projects they finance. We maintain policies and procedures regarding regulatory compliance, for example a statewide operating policy on the prohibition of the purchase of state bonds by state entities as investments.

SERVICES PROVIDED

Debt management process: We work with financial advisors, legal counsel, rating and state agencies, and underwriters and investors to bring bonds or other debt instruments to market and obtain the most favorable interest rates to the state. We work to remain in compliance with the Minnesota Constitution, state statutes and laws, federal rules and regulations, and policies and procedures, including the capital investment guidelines.

Capital budget process: We assist agencies and local governments in implementing capital budget appropriations and required grant agreements through bonding and cash appropriations. We complete this work in accordance with the Minnesota Constitution, state statutes and laws, federal rules and regulations, and MMB's policies and procedures.

RESULTS

While no single entity or circumstance can claim to be responsible for Minnesota's outstanding debt position, having timely, relevant, accurate, and objective information available from Debt Management helps decision makers effectively influence the state's debt position.

Type of Measure	Name of Measure	Previous	Current	Dates
Results	<p>The state's general obligation bond ratings as of July 2014 compared to July 2016. In 2015, Standard & Poor's upgraded the state's economic outlook from stable to positive. In 2016, Fitch upgraded the state's rating from AA+ to AAA.</p> <ul style="list-style-type: none"> • Moody's • Standard & Poor's • Fitch 	<p>Aa1 (stable) AA+ (stable) AA+ (stable)</p>	<p>Aa1 (stable) AA+ (positive) AAA (stable)</p>	<p>July 2014, August 2016</p>
Results	<p>Capital Investment Guidelines</p> <ul style="list-style-type: none"> • Total tax-supported principal outstanding as a percent of state personal income (target: not greater than 3.25%) • Total amount of principal (both issued, and authorized but unissued) as a percent of state personal income (target: not greater than 6.0%) • General obligation bonds scheduled to mature quickly (target: 40% within five years and 70% within 10 years) 	<p>2.97% 4.25% 40.5%/70.9%</p>	<p>2.91% 3.95% 40.3%/71.2%</p>	<p>February 2014, February 2016 June 30, 2014, June 30, 2016</p>
Results	<p>A comparison of the interest rates from year 1 to 10 of state general obligation bonds sold compared to a municipal bond index for similarly rated bonds.</p>	<p>The state's interest rates were less than the index (0.11%)</p>	<p>The state's interest rates were less than the index (0.09%)¹</p>	<p>August 2014, August 2016</p>

¹ In light of the 2016 rating upgrade to AAA from Fitch, a comparison of the interest rates from year 1 to 10 of the state's 2016 general obligation bonds to a municipal bond index for AAA-rated bonds would show the state's interest rates were 0.04% higher than the AAA index.

The legal authority for MMB's Debt Management activities comes from M.S. 16A (<https://www.revisor.mn.gov/statutes/?id=16A>).

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	1,059	465	451	475	475	475	590	590
Total	1,059	465	451	475	475	475	590	590
<i>Biennial Change</i>				(599)		24		254
<i>Biennial % Change</i>				(39)		3		27
<i>Governor's Change from Base</i>								230
<i>Governor's % Change from Base</i>								24

Expenditures by Category

Compensation	895	451	441	452	452	452	567	567
Operating Expenses	164	14	9	23	23	23	23	23
Other Financial Transactions	1	0	0	0	0	0	0	0
Total	1,059	465	451	475	475	475	590	590
<u>Full-Time Equivalents</u>	9.3	4.2	3.7	4.0	3.7	3.7	4.7	4.7

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	249	0	16	0	0	0	0
Direct Appropriation	1,620	1,620	467	474	474	474	589	589
Net Transfers	(369)	(1,403)	0	(15)	1	1	1	1
Cancellations	0	1	0	0	0	0	0	0
Expenditures	1,059	465	451	475	475	475	590	590
Balance Forward Out	191	0	16	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(599)		24		254
<i>Biennial % Change in Expenditures</i>				(39)		3		27
<i>Gov's Exp Change from Base</i>								230
<i>Gov's Exp % Change from Base</i>								24
Full-Time Equivalents	9.3	4.2	3.7	4.0	3.7	3.7	4.7	4.7

Program: Statewide Services
Activity: Enterprise Human Resources

www.mn.gov/mmb/employee-relations/

AT A GLANCE

- Since its launch in December 2015, of the new Enterprise Human Resources (EHR) applicant tracking system has processed an average of 15,458 applications for state jobs each month.
- In that same period, the Applicant Help Line staff have assisted an average of 631 applicants per month. Contacts for assistance have been decreasing over time.

PURPOSE & CONTEXT

Enterprise Human Resources develops and maintains tools and infrastructure used by state agency human resources partners to recruit and retain the workforce needed to meet business goals. EHR applies a statewide view of human resources management to develop and promote sound policies, practices, and outcomes.

SERVICES PROVIDED

- Deliver innovative and strategic human resource (HR) solutions that align with business needs and contribute to the delivery of exceptional public services.
- Monitor changes in laws that affect human resource operations in state agencies. Research, develop, and deploy the EHR policy infrastructure, and provide training and guidance to ensure agencies are in compliance with law and other authorities.
- Provide consultation and auditing assistance to ensure agencies' HR Offices are using best practices, and eliminating inefficient or ineffective practices.
- Develop and maintain systems to record, manage, and retrieve human resource data and resources. These systems include application processing, learning management, and employee record management and payroll.
- Develop and deploy the state's compensation, classification, selection, pay equity, and talent strategy programs. Provide consultation and services to support agency Human Resource operations.
- Research, plan, and manage projects to develop or update HR programs, services, and systems.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of agency audits opened and completed in most recent fiscal year.	Not available*	4 opened, 2 closed*	FY2016
Quantity	Total number of female employed in the Executive Branch as of fiscal year end	New as of FY2016	49.8%	FY2016
Quantity	Total number of minorities employed in the Executive Branch as of fiscal year end	New as of FY2016	11%	FY2016
Quantity	Total number of individuals with disabilities employed in the Executive Branch as of fiscal year end	New as of FY2016	6.2%	FY2016
Quantity	Total number of veterans employed in the Executive Branch as of fiscal year end	New as of FY2016	7.3%	FY2016

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	% of employees receiving yearly performance feedback	78% 98% 96%	FY2016	FY2012 FY2014

* A new audit program was developed in FY15. In FY16, four audits were conducted to test the processes and address urgent issues. Of these four, two audits are complete and two remain open.

M.S. 43A (<https://www.revisor.mn.gov/statutes/?id=43A>) on state personnel management provides legal authority for this budget activity.

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	3,685	3,735	3,038	3,469	3,469	3,469	18,669	3,669
2000 - Restrict Misc Special Revenue	62	62	69	64	64	64	64	64
2001 - Other Misc Special Revenue	33	97	348	441	409	409	409	409
Total	3,780	3,894	3,455	3,974	3,942	3,942	19,142	4,142
<i>Biennial Change</i>				(245)		454		15,854
<i>Biennial % Change</i>				(3)		6		213
<i>Governor's Change from Base</i>								15,400
<i>Governor's % Change from Base</i>								195

Expenditures by Category

Compensation	2,673	3,501	3,165	3,557	3,557	3,557	4,957	3,757
Operating Expenses	1,100	389	286	415	383	383	14,183	383
Other Financial Transactions	6	3	4	2	2	2	2	2
Total	3,780	3,894	3,455	3,974	3,942	3,942	19,142	4,142
Full-Time Equivalents	26.5	37.2	30.9	30.9	30.9	30.9	35.9	32.9

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	2,006	0	374	0	0	0	0
Direct Appropriation	7,156	3,156	3,209	3,256	3,256	3,256	18,456	3,456
Net Transfers	(1,498)	(1,391)	203	(161)	213	213	213	213
Cancellations	0	36	0	0	0	0	0	0
Expenditures	3,685	3,735	3,038	3,469	3,469	3,469	18,669	3,669
Balance Forward Out	1,972	0	374	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(913)		431		15,831
<i>Biennial % Change in Expenditures</i>				(12)		7		243
<i>Gov's Exp Change from Base</i>								15,400
<i>Gov's Exp % Change from Base</i>								222
Full-Time Equivalents	26.4	37.0	29.1	29.1	29.1	29.1	34.1	31.1

2000 - Restrict Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	5	7	7	8	8	8	8	8
Receipts	64	61	71	64	64	64	64	64
Expenditures	62	62	69	64	64	64	64	64
Balance Forward Out	7	6	8	8	8	8	8	8
<i>Biennial Change in Expenditures</i>				9		(5)		(5)
<i>Biennial % Change in Expenditures</i>				8		(4)		(4)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	0.0	0.0	0	0	0	0	0	0

2001 - Other Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	146	148	120	39	0	0	0	0
Receipts	35	20	78	105	105	105	105	105
Net Transfers		48	190	298	304	304	304	304
Expenditures	33	97	348	441	409	409	409	409
Balance Forward Out	148	119	39	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				659		28		28

(Dollars in Thousands)

2001 - Other Misc Special Revenue

<i>Biennial % Change in Expenditures</i>				507		4		4
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	0.0	0.2	1.8	1.8	1.8	1.8	1.8	1.8

6000 - Miscellaneous Agency

	Actual		Actual		Estimate		Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19	FY18	FY19
Balance Forward In	46	46	46	46	46	46	46	46	46	46
Balance Forward Out	46	46	46	46	46	46	46	46	46	46

Program: Statewide Services

Activity: Labor Relations

mn.gov/mmb/employee-relations/labor-relations/

AT A GLANCE

- The State of Minnesota is the state's largest employer with approximately 52,000 employees in 2016.
- Negotiated 9 labor agreements covering 38,000 employees in 2015-2016.
- Directed review and resolution of 365 grievances from July 1, 2014 through June 30, 2016.
- Trained state managers, supervisors and human resources professionals in the areas of labor relations and investigations in 2015-2016.

PURPOSE & CONTEXT

The mission of the Labor Relations Unit is to promote harmonious and productive relationships with labor organizations representing specific groups of state employees while balancing the needs of management to provide efficient and accountable government services.

Our service population and clientele include the state's 38,000 employees covered by collective bargaining agreements and the Commissioner's and Managerial Plans. We also served human resources, supervisory, and managerial staff in the state's approximately 100 agencies and boards.

SERVICES PROVIDED

Collective Bargaining

- Develop labor relations policies, objectives, and strategies
- Represent the State in negotiations for collective bargaining agreements and the State Employee Group Insurance Program (SEGIP)
- Represent the State in contract mediation and interest arbitration to reach agreements
- Ensure that negotiated labor agreements maintain the maximum degree of flexibility for management and contain economic settlements that are within the desires of the Governor and the state's ability to pay

Administration of Collective Bargaining Agreements

- Provide advice and counsel to State agencies on contract administration, including contract interpretation, employee misconduct investigations, employee discipline, and employee performance management
- Ensure there are consistent policies and practices across the enterprise and that management rights are not compromised
- Assist State agencies in review of grievances alleging violations of labor agreements, including evaluation of settlement options and potential impacts to the operations or work environment
- Provide employee training on such topics as labor relations concepts, grievance processing, discipline and discharge, investigations and managing employee leaves

Representation and Advocacy

- Investigate grievances and prepare for and represent the State in grievance mediation, arbitrations, and settlement negotiations
- Represent the State on Labor/Management Committees and meetings with the unions regarding agency policies and practices
- Represent the State in all bargaining unit determinations and unit clarification proceedings
- Propose or respond to legislation affecting the State as an employer

RESULTS

We believe strategies are working if:

- A voluntary labor agreement is negotiated with the exclusive representative within the negotiations timeframe
- Labor agreements receive approval from the Legislative Subcommittee on Employee Relations and the full legislature
- Interest arbitration awards affirm the State's bargaining decisions and strategies
- Agencies provide positive feedback on assistance in the day-to-day administration of labor contracts
- Grievances are avoided or resolved at the agency level
- Grievance arbitration awards uphold agency actions and decision-making in the areas of contract interpretation and employee misconduct
- State labor management committees, including the Joint Labor Management Committee on Health Insurance, contribute to positive and productive working relationships between the state and labor unions
- Training curriculum and delivery receives positive course evaluations

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Percentage of contract negotiations that result in voluntary negotiated settlements consistent with State's ability to pay.	80%	90%	July 1, 2014, June 30, 2016
Results	Ratified labor agreements receive approval by full legislature	100%	100%	July 1, 2014, June 30, 2016
Results	Grievance arbitration awards upholding the state's position (denial of the grievance).	22 (of 41)	9 (of 13)	July 1, 2014, June 30, 2016

M.S. 43A (<https://www.revisor.mn.gov/statutes/?id=43A>) and M.S. 179 (<https://www.revisor.mn.gov/statutes/?id=179>) provide the legal authority for MMB's Labor Relations Unit.

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	882	908	810	1,123	1,123	1,123	1,123	1,123
2001 - Other Misc Special Revenue	309	277	302	280	280	285	280	285
Total	1,191	1,184	1,112	1,403	1,403	1,408	1,403	1,408
<i>Biennial Change</i>				140		296		296
<i>Biennial % Change</i>				6		12		12
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	866	876	789	1,071	1,071	1,071	1,071	1,071
Operating Expenses	324	305	324	332	332	337	332	337
Other Financial Transactions	1	3	0	0	0	0	0	0
Total	1,191	1,184	1,112	1,403	1,403	1,408	1,403	1,408
<u>Full-Time Equivalents</u>	7.6	7.8	6.9	6.9	6.9	6.9	6.9	6.9

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	319	0	298	0	0	0	0
Direct Appropriation	1,184	1,184	1,083	1,099	1,099	1,099	1,099	1,099
Net Transfers	17	(281)	25	(274)	24	24	24	24
Cancellations	0	315	0	0	0	0	0	0
Expenditures	882	908	810	1,123	1,123	1,123	1,123	1,123
Balance Forward Out	319	0	298	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				143		313		313
<i>Biennial % Change in Expenditures</i>				8		16		16
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	7.6	7.8	6.9	6.9	6.9	6.9	6.9	6.9

2001 - Other Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	13	9	6	12	8	9	8	9
Receipts	302	270	308	276	281	286	281	286
Expenditures	309	277	302	280	280	285	280	285
Balance Forward Out	6	2	12	8	9	10	9	10
<i>Biennial Change in Expenditures</i>				(3)		(17)		(17)
<i>Biennial % Change in Expenditures</i>				0		(3)		(3)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

Program: Statewide Services
Activity: Agency Administration

www.mn.gov/mmb

AT A GLANCE

- Agency human resources staff worked with managers and supervisors to fill 120 vacant positions in FY16
- Fiscal Services staff processed over 3,600 payments and over 99% of them were paid within 30 days in FY16
- 100% of major financial publications were published on time—governor’s budget recommendations, February and November economic forecasts, federally mandated financial reports in FY16

PURPOSE & CONTEXT

Agency Administration is a compilation of functions within the scope of the work of MMB, managed by the deputy commissioner. Several of these functions are internal to MMB—such as administrative and fiscal services, human resources, and strategic planning. These areas serve all employees at MMB.

SERVICES PROVIDED

- Manage the department’s financial operations to maintain compliance with established policies and procedures
- Support and manage about 260 employees by ensuring compliance with statewide and departmental human resources, policies, and procedures
- Produce several key documents including the governor’s budgets, economic forecasts, and the state’s Comprehensive Annual Financial Report (CAFR)

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Percent of employee position descriptions that are current	60%	96%	6/30/14 and 6/30/16

M.S. chapter 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) provides the legal authority for MMB’s Agency Administration budget activity.

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	6,291	7,974	7,222	325,629	8,467	8,467	23,415	14,389
2001 - Other Misc Special Revenue	11,063	9,426	12,014	11,036	11,151	11,196	11,151	11,196
Total	17,354	17,400	19,236	336,665	19,618	19,663	34,566	25,585
<i>Biennial Change</i>				321,147		(316,620)		(295,750)
<i>Biennial % Change</i>				924		(89)		(83)
<i>Governor's Change from Base</i>								20,870
<i>Governor's % Change from Base</i>								53

Expenditures by Category

Compensation	10,344	4,243	4,355	6,688	4,133	4,178	6,998	7,667
Operating Expenses	6,965	13,104	14,810	329,936	15,444	15,444	27,527	17,877
Other Financial Transactions	46	53	51	41	41	41	41	41
Capital Outlay-Real Property	0	0	20	0	0	0	0	0
Total	17,354	17,400	19,236	336,665	19,618	19,663	34,566	25,585
<u>Full-Time Equivalents</u>	98.6	49.1	44.9	42.4	37.4	37.4	60.4	60.4

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	790	400	1,760	0	0	0	0
Direct Appropriation	7,122	6,725	7,578	322,319	8,674	8,674	23,622	14,596
Net Transfers	(45)	862	1,005	1,549	(207)	(207)	(207)	(207)
Cancellations	0	3	0	0	0	0	0	0
Expenditures	6,291	7,974	7,222	325,629	8,467	8,467	23,415	14,389
Balance Forward Out	785	400	1,760	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				318,586		(315,917)		(295,047)
<i>Biennial % Change in Expenditures</i>				2,233		(95)		(89)
<i>Gov's Exp Change from Base</i>								20,870
<i>Gov's Exp % Change from Base</i>								123
Full-Time Equivalents	47.9	25.2	22.7	20.2	15.2	15.2	38.2	38.2

2001 - Other Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	12,772	11,494	12,398	10,677	10,667	10,532	10,667	10,532
Receipts	10,792	11,428	10,293	11,016	11,016	11,016	11,016	11,016
Net Transfers	0	(1,165)		10				
Expenditures	11,063	9,426	12,014	11,036	11,151	11,196	11,151	11,196
Balance Forward Out	12,501	12,331	10,677	10,667	10,532	10,352	10,532	10,352
<i>Biennial Change in Expenditures</i>				2,560		(703)		(703)
<i>Biennial % Change in Expenditures</i>				12		(3)		(3)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	50.7	23.9	22.2	22.2	22.2	22.2	22.2	22.2

Program: Statewide Services
Activity: Enterprise Learning & Development

mn.gov/mmb/eld/

AT A GLANCE

- 5,530 state government employees were served by ELD in FY15-16.
- 857 new supervisors completed Supervisory Development Core in FY15-16.
- 337 new managers completed Managerial Development Core in FY15-16
- 60 participants graduated from the Emerging Leaders Institute in FY15-16
- 30 participants graduated from the Senior Leadership Institute in FY15-16

PURPOSE & CONTEXT

The mission of Enterprise Learning & Development (ELD) is to support the professional development needs of our talented workforce. In FY15-16, ELD employed a variety of workforce investments including training, coaching, workforce planning, 360 feedback, and customized team solutions to develop our talented workforce. ELD strives to make the state a model employer by ensuring that all employees have the knowledge, skills, and information needed to succeed in their jobs. Our goal is to help all our employees form productive intercultural working relationships ensuring a positive work environment.

In FY17-18 ELD is being transformed into a new employee and organizational development organization within MMB called Enterprise Talent Development (ETD). It will provide coordinated and consistent training and development services to state agencies and their workforce, including: talent management, organizational development, and professional development.

SERVICES PROVIDED

- Deliver employee development programs open to all employees including supervisors and managers.
- Deliver leadership development programs, assess leadership skills through competency based 360 assessments, and conduct performance and career coaching.
- Customize courses for specific content and agency needs.
- Deliver workforce planning consultation, technical assistance and workshop facilitation.
- Deliver training in succession planning and knowledge transfer.
- Inform talent management strategies.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	# of courses offered in professional and leadership development	91	89	FY15, FY16
Quantity	# of contracts completed for customized professional and leadership development	49	41	FY15, FY16
Quantity	# of participants in professional and leadership development	2,842	2,688	FY15, FY16
Quality	Participant rating of overall satisfaction with learning on a five point scale (5 being high)	N/A	4.0	FY16

M.S. 43A.21 (<https://www.revisor.mn.gov/statutes/?id=43A.21>) provides the legal authority for ELD’s budget activity.

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
5200 - Management Analysis	1,887	1,839	1,506	1,771	1,771	1,771	1,771	1,771
Total	1,887	1,839	1,506	1,771	1,771	1,771	1,771	1,771
<i>Biennial Change</i>				(449)		266		266
<i>Biennial % Change</i>				(12)		8		8
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	698	792	750	850	850	850	850	850
Operating Expenses	1,184	954	756	921	921	921	921	921
Other Financial Transactions	5	93	0	0	0	0	0	0
Grants, Aids and Subsidies	0	0	0	0	0	0	0	0
Total	1,887	1,839	1,506	1,771	1,771	1,771	1,771	1,771
<u>Full-Time Equivalents</u>	9.2	9.8	8.3	8.3	8.0	8.0	8.0	8.0

5200 - Management Analysis

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	621	423	215	212	238	263	238	263
Receipts	1,660	1,608	1,503	1,797	1,797	1,797	1,797	1,797
Expenditures	1,887	1,839	1,506	1,771	1,771	1,771	1,771	1,771
Balance Forward Out	395	192	212	238	263	288	263	288
<i>Biennial Change in Expenditures</i>				(449)		266		266
<i>Biennial % Change in Expenditures</i>				(12)		8		8
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	9.2	9.8	8.3	8.3	8.0	8.0	8.0	8.0

Program: Statewide Services
Activity: Enterprise Communications and Planning

www.mn.gov/mmb

AT A GLANCE

- Tracked 192 interactions with agencies in the Internal Control and Accountability unit in FY 2016.
- Provided over 13,500 hours of consulting services on 122 projects for 27 client agencies in FY 2016.
- Established an effective communication infrastructure. Developed the communication skills and processes within MMB; improved communications to the enterprise and the public.
- Manage and ensure the consistent operation of five enterprise systems annually.
- Ensure state agencies have and communicate procedures that allow state government to continue its essential operations in case of a catastrophic event.

PURPOSE & CONTEXT

The Enterprise Communications and Planning Division provides critical services to the enterprise to ensure employees, agencies, and agency leaders have the tools and information they need to effectively do their work. Members of the team focus their work on proactive and inclusive strategies to create a culture of collaboration, communication, and information-sharing throughout our agency and the enterprise. These functions are also integral parts of the department’s mission and vision as described in the agency profile.

This division is made up of five groups, all of which play key roles in ensuring strategic planning and communications to and on behalf of the entire enterprise: Management Analysis and Development (MAD), Enterprise Resource Planning, Business Continuity, Communications, and Internal Controls and Accountability.

SERVICES PROVIDED

- Communicate key initiatives and information to MMB, the enterprise, and to the public using all communication channels.
- Provide internal control and accountability consultation across state government to improve internal controls.
- Provide consultation in Continuity of Government (COG) planning or in response to all hazards, including terrorism and catastrophic disasters. Act as the statewide lead in an event that disrupts services within state government.
- Provide leadership, coordination, strategic direction, and management oversight of current and proposed enterprise technology systems and applications (for example, the state payroll system).
- Provide problem-solving assistance and information to help leaders and managers make decisions that improve efficiency and effectively use state resources.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Percent of agency heads that submitted the annual internal control certification for FY 2015	96%	98.7%	FY2015, FY2016
Quality	Organizations improved due to Management Analysis and Development (MAD) work, according to post-engagement client feedback questionnaires	100%	100%	CY2014, CY2016
Results	Customer satisfaction with MAD projects (average score from 1-5; 5 is best)	4.8	4.8	CY2014, CY2016

Type of Measure	Name of Measure	Previous	Current	Dates
Results	Conduct continuity of government planning and exercises with invited representatives of executive (cabinet), judicial, and legislative branches.	100% participation	100% participation	FY2015, FY2016
Results	Percent of enterprise system projects that are progressing according to the schedule	NA	83%	Q2 FY2016
Quality	Engagement rate from email communication campaigns designed to build employee/public awareness. Engagement rate shows how many of our email (GovDelivery) subscribers are interacting with our content and responding to our communication efforts over time. 30% or higher is considered good.	36.2%	54.7%	CY2014, CY2015

M.S. chapter 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) provides the legal authority for this activity.

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	0	33	0	1,074	1,074	1,074	1,074	1,074
2001 - Other Misc Special Revenue	143	34	0	0	0	0	0	0
5200 - Management Analysis	6,448	7,050	6,043	5,527	5,485	5,538	5,485	5,538
Total	6,591	7,118	6,043	6,601	6,559	6,612	6,559	6,612
<i>Biennial Change</i>				(1,065)		527		527
<i>Biennial % Change</i>				(8)		4		4
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	1,766	1,932	1,829	2,892	2,857	2,910	2,857	2,910
Operating Expenses	4,649	5,113	4,208	3,698	3,691	3,691	3,691	3,691
Other Financial Transactions	177	72	6	11	11	11	11	11
Capital Outlay-Real Property	0	0	0	0	0	0	0	0
Total	6,591	7,118	6,043	6,601	6,559	6,612	6,559	6,612
<u>Full-Time Equivalents</u>	18.0	19.2	17.2	26.2	26.2	26.2	26.2	26.2

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Net Transfers		33		1,074	1,074	1,074	1,074	1,074
Expenditures	0	33	0	1,074	1,074	1,074	1,074	1,074
<i>Biennial Change in Expenditures</i>				1,041		1,074		1,074
<i>Biennial % Change in Expenditures</i>				3,122		100		100
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	0	0.0	0.0	9.0	9.0	9.0	9.0	9.0

2001 - Other Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	2	34	0	0	0	0	0	0
Receipts	20	0	0	0	0	0	0	0
Net Transfers	165							
Expenditures	143	34	0	0	0	0	0	0
Balance Forward Out	44	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(177)				
<i>Biennial % Change in Expenditures</i>				(100)				

5200 - Management Analysis

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	1,202	1,178	963	734	792	892	792	892
Receipts	6,412	6,362	5,814	5,585	5,585	5,585	5,585	5,585
Expenditures	6,448	7,050	6,043	5,527	5,485	5,538	5,485	5,538
Balance Forward Out	1,165	489	734	792	892	939	892	939
<i>Biennial Change in Expenditures</i>				(1,929)		(547)		(547)
<i>Biennial % Change in Expenditures</i>				(14)		(5)		(5)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	18.0	19.2	17.2	17.2	17.2	17.2	17.2	17.2

Program: Employee Insurance
Activity: State Employee Group Insurance Program

mn.gov/mmb/segip/

AT A GLANCE

- Provides insurance benefits to over 127,000 state employees, dependents, and retirees annually in all three branches of state government, Minnesota State Colleges and Universities, and certain quasi-state agencies.
- Through innovative benefit design, encourages members to use the most efficient health care providers. In 2016, 88% of SEGIP members were enrolled in primary care clinics assigned to the lowest cost levels.
- 5,000 state employees lost more than 41,000 pounds through an innovative diabetes prevention program launched in 2015.
- In 2015, SEGIP collected \$813 million in insurance premiums and administrative fees from state agencies, employees/retirees, and other participating groups. Health insurance accounted for 88% of premiums and fees.

PURPOSE & CONTEXT

The State Employee Group Insurance Program (SEGIP) offers comprehensive insurance benefits to ensure that employees and their families have access to high-quality services at an affordable cost. These benefits include health, dental, life, long and short-term disability, and long-term care insurance. In addition, SEGIP administers pre-tax accounts for medical and dental care, dependent care, and transit expenses. Insurance benefits are a valuable component of compensation that helps the state attract and retain a talented workforce.

As Minnesota's largest employer purchaser of health care, SEGIP has significant influence in the marketplace and uses purchasing strategies designed to contain cost and provide access to high quality care. SEGIP also has a comprehensive set of initiatives that promote employee health and well-being, which result in a healthier more productive state workforce and also lower health care costs.

SERVICES PROVIDED

- SEGIP's health insurance plan, the Minnesota Advantage Health Plan, is a self-insured plan. The plan has a tiered network design that encourages members to choose primary care clinics that are most cost-efficient while still allowing access to higher-cost clinics. Because the state is such a large purchaser of health care, this benefit design also enables the state to obtain better prices from providers that wish to be placed in the most favorable cost tiers which attract the most members. In this way, SEGIP is able to maintain a broad choice of providers while also containing cost growth.
- SEGIP promotes employee health and wellness, which supports greater workplace productivity and helps to contain health care cost growth. For example, SEGIP offers financial incentives for employees to complete an annual health risk assessment survey, with opportunities for follow-up coaching or online programs to reduce health risks. Other prevention initiatives include a successful diabetes prevention program and annual flu shot clinics. SEGIP's health plan administrators also identify and engage members with conditions like diabetes, asthma, back pain, and depression in order to better manage their conditions and improve health.
- SEGIP's contracts with medical, dental, and pharmacy administrators include incentives related to cost management, health outcomes, and provider network management and operational performance. In addition, SEGIP has some incentive arrangements directly with provider groups that include accountability for total cost of care and quality metrics.
- SEGIP supports expanded use of value-based payment arrangements between health care providers and our health plan administrators. Compared to traditional fee for service payments, value-based payment arrangements include stronger incentives related to cost containment and quality.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Result	Percent of medical expenditures made through value-based payment methods	NA	49%	2015
Result	Percent of plan participants enrolled in primary care clinics at the lowest cost levels	89.3%	88.3%	2015, 2016
Result	Number of prediabetes program participants who have reduced their risk by 50% or more	976	1,617	1/2016, 7/2016

M.S. 42A.22-315, 318-319 provides authority for state employee benefits managed by MMB. Specifically see M.S. 43A.22 (<https://www.revisor.mn.gov/statutes/?id=43A.22>).

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
5600 - State Employees Insurance	754,622	829,588	859,348	905,855	959,055	1,017,823	958,776	1,017,404
6000 - Miscellaneous Agency	29,592	30,117	33,146	33,601	33,310	33,310	33,310	33,310
Total	784,213	859,705	892,494	939,455	992,365	1,051,133	992,086	1,050,714
<i>Biennial Change</i>				188,031		211,549		210,851
<i>Biennial % Change</i>				11		12		12
<i>Governor's Change from Base</i>								(698)
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	4,272	3,771	3,881	4,353	4,654	4,793	4,545	4,567
Operating Expenses	779,938	855,931	888,603	935,097	987,705	1,046,335	987,535	1,046,142
Other Financial Transactions	3	4	11	6	6	6	6	6
Total	784,213	859,705	892,494	939,455	992,365	1,051,133	992,086	1,050,714
<u>Full-Time Equivalents</u>	46.8	43.2	41.9	41.9	41.9	41.9	41.9	41.9

5600 - State Employees Insurance

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	243,453	269,946	249,092	224,659	222,223	245,147	222,223	245,147
Receipts	787,762	807,733	834,935	903,439	981,998	1,043,838	981,998	1,043,838
Net Transfers	(16)	(10)	(21)	(21)	(21)	(21)	(21)	(21)
Expenditures	754,622	829,588	859,348	905,855	959,055	1,017,823	958,776	1,017,404
Balance Forward Out	276,578	248,081	224,659	222,223	245,147	271,141	245,147	271,141
<i>Biennial Change in Expenditures</i>				180,994		211,675		210,977
<i>Biennial % Change in Expenditures</i>				11		12		12
<i>Gov's Exp Change from Base</i>								(698)
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	46.8	43.2	41.9	41.9	41.9	41.9	41.9	41.9

6000 - Miscellaneous Agency

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	4,732	4,354	5,477	5,037	4,696	4,646	4,696	4,646
Receipts	29,213	31,241	32,705	33,260	33,260	33,260	33,260	33,260
Expenditures	29,592	30,117	33,146	33,601	33,310	33,310	33,310	33,310
Balance Forward Out	4,354	5,477	5,037	4,696	4,646	4,596	4,646	4,596
<i>Biennial Change in Expenditures</i>				7,037		(126)		(126)
<i>Biennial % Change in Expenditures</i>				12		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

Program: Statewide Insurance
Activity: Public Employees Insurance Program

www.mn.gov/mmb/segip/peip/

AT A GLANCE

- As of July 2016, 124 public sector employer groups in Minnesota participated in PEIP. These include 79 school districts, 27 cities and townships, six counties, and 12 other units of government (watershed districts, housing redevelopment authorities, etc.).
- A total of more than 21,000 active employees, their dependents, and retirees receive their coverage from PEIP.
- Groups average 78 employees and range from one to more than 2,200 employees.

PURPOSE & CONTEXT

The Public Employees Insurance Program (PEIP) is a statewide health, dental, and life insurance pool managed by Minnesota Management & Budget (MMB) and offered to local units of government. The program is defined in M.S. 43A.316 and provides Minnesota’s public employers with the option to purchase an affordable, uniform package of health care and other benefits for employees, their dependents, and retirees.

PEIP is available to local units of government within Minnesota including counties, cities, townships, school districts, and other jurisdictions.

SERVICES PROVIDED

The availability of PEIP helps public sector employers obtain competitive health insurance rates. In some cases, PEIP provides the lowest bid. In other cases, PEIP offers a bid that competing insurers will then attempt to match or improve upon in order to be selected. In these instances, even when PEIP is ultimately not the successful bidder, it helps local units of government negotiate with other carriers to obtain the best rates possible. Since July 1, 2014, all public school districts, with few exceptions, are required to obtain an insurance bid from PEIP. PEIP offers public sector employers and their employees a choice of health plans wherever possible - unlike the majority of employers in the state that contract with a single carrier or health plan for health insurance.

STRATEGIES

- PEIP promotes efficiency in government by leveraging the State Employee Group Insurance Program’s (SEGIP’s) benefit design and vendor contracts to benefit local units of government.
- By providing efficient and affordable care, we contribute to the State’s goals of healthy Minnesotans and efficient and accountable government services.
- We strive for effectiveness and efficiency in terms of administrative and service costs, as well as choice/flexibility for members.
- Our key partners are public employers in Minnesota, and the health plans participating in PEIP.
- Following the benefit design of SEGIP, PEIP’s health insurance plan uses a tiered network design that encourages members to choose primary care clinics that are most cost-efficient while still allowing access to higher-cost clinics. Because the state is such a large purchaser of health care, this benefit design also enables the state to obtain better prices from providers that wish to be placed in the most favorable cost tiers which attract the most members. In this way, PEIP is able to maintain a broad choice of providers while also containing cost growth.

RESULTS

- PEIP’s membership is provided with plans similar to the highly successful Minnesota Advantage Health Plan provided to state employees.
- PEIP is considered a “benchmark” plan for public employers in Minnesota: effective July 1, 2014, with few exceptions, all Minnesota public school districts are required to obtain an insurance quote from PEIP, to be used for comparison and negotiations purposes.

- PEIP's viability and overall impact in the market are determined to a large extent by the number of participating employee groups and the number of individuals covered by the program. Because the program is not mandatory, membership fluctuates. As of July 2016, more than 21,000 employees, retirees, and dependents are covered under PEIP, the most to ever have participated in the program.

Type of Measure	Name of Measure	Previous	Current	Dates
Results	<i>Contingency reserve level.</i> A program of this size, combined with the inherent fluctuation of voluntary membership requires a contingency reserve equal to 20% - 40% of annual premium.	27.9%	31.7%	6/30/13-6/30/14, 6/30/14-6/30/15
Results	<i>Medical claims costs (per member per month).</i> PEIP's goal is for these costs to increase at or below the current industry standard of 2 – 9 % for national programs.	-2.6%	9.2%	6/30/13-6/30/14, 6/30/14-6/30/15
Results	<i>PEIP's administrative expenses, as a percent of premiums.</i> PEIP's goal is to stay below the industry norm of 8%.	7.3%	7.7%	6/30/14, 6/30/15

M. S. 43A.316 (<https://www.revisor.mn.gov/statutes/?id=43A.316>) provides the legal authority for the Public Employees Insurance Program.

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	0	294	0	0	0	0	0	0
4700 - Public Employees Insurance	80,174	94,114	100,664	116,099	116,099	116,099	116,099	116,099
Total	80,174	94,408	100,664	116,099	116,099	116,099	116,099	116,099
<i>Biennial Change</i>				42,182		15,434		15,434
<i>Biennial % Change</i>				24		7		7
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	158	164	171	174	174	174	174	174
Operating Expenses	80,016	94,244	100,493	115,923	115,923	115,923	115,923	115,923
Other Financial Transactions	0	0	0	2	2	2	2	2
Total	80,174	94,408	100,664	116,099	116,099	116,099	116,099	116,099
<u>Full-Time Equivalents</u>	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	0	294	0	0	0	0	0	0
Expenditures	0	294	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(294)				
<i>Biennial % Change in Expenditures</i>				(100)				

4700 - Public Employees Insurance

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	24,058	33,031	35,072	44,765	47,456	50,147	47,456	50,147
Receipts	89,532	95,815	110,357	118,790	118,790	118,790	118,790	118,790
Net Transfers	0							
Expenditures	80,174	94,114	100,664	116,099	116,099	116,099	116,099	116,099
Balance Forward Out	33,416	34,732	44,765	47,456	50,147	52,839	50,147	52,839
<i>Biennial Change in Expenditures</i>				42,476		15,434		15,434
<i>Biennial % Change in Expenditures</i>				24		7		7
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5

Grants Funding Detail

(Dollars in Thousands)

Program Name Federal or State or Both (citation)	Purpose	Recipient Type(s) Eligibility Criteria	FY 2016	FY 2017
Statewide Services	Results Management		100	150

Grant dollars are used to fund the Results Management initiative.

Minnesota Management and Budget
Statewide Services
5200 Management Analysis And Development
Revenues, Expenses and Changes in Net Assets

The 5200 fund includes both Management Analysis and Development (MAD) and Enterprise Learning and Development (ELD). MAD provides consulting services projects for client agencies. ELD supports the professional development of the state's talented work force.

	Actual 2016	Projected 2017	Projected 2,018	Projected 2,019
Operating Revenues:				-
Net Sales	7,472	7,266	7,266	7,266
Rental and Service Fees				
Insurance Premiums				
Other Income	0			-
Total Operating Revenues	7,473	7,266	7,266	7,266
Gross Margin	7,473	7,266	7,266	7,266
Purchased Services				
Operating Expenses:				
Purchased Services	4,455	4,318	4,301	4,301
Salaries and Fringe Benefits	2,548	2,682	2,647	2,700
Claims	-	-	-	-
Depreciation	-	-	-	-
Amortization	-	-	-	-
Supplies and Materials	144	117	112	112
Indirect Costs	72	34	50	50
Other Expenses	339	147	147	147
Total Operating Expenses	7,557	7,298	7,257	7,310
Operating Income (Loss)	(84)	(32)	10	(44)
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financing Costs				
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Transfers and Contributions	(84)	(32)	10	(44)
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	(84)	(32)	10	(44)
Net Assets, Beginning as Reported	824	740	708	717
Net Assets, Ending	740	708	717	674
Rate increase/(decrease)				
Full Time Equivalent	25	26	25	25

**Minnesota Management and Budget
Statewide Services
5200 Management Analysis And Development
Net Assets**

The 5200 fund includes both Management Analysis and Development (MAD) and Enterprise Learning and Development (ELD). MAD provides consulting services projects for client agencies. ELD supports the professional development of the state's talented work force.

	Actual	Projected
	2016	2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	693	714
Investments		
Accounts Receivable	965	950
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Noncurrent Assets:	1,658	1,664
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)		
Deferred Pension Outflows	303	310
Total Noncurrent Assets	303	310
Total Assets	1,961	1,974
LIABILITIES		
Current Liabilities:		
Accounts Payable	883	885
Interfund Payables		
Unearned Revenue	3	3
Loans Payable		
Compensated Absences Payable	17	17
Total Current Liabilities	903	905
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	193	193
Other Postemployment Benefits	27	27
Net Pension Liability	909	909
Other Liabilities		
Deferred Revenue	(3)	(3)
Deferred Pension Inflows	1,148	1,148
Total Noncurrent Liabilities	2,274	2,274
Total Liabilities	3,177	3,179
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Unrestricted	(1,215)	(1,205)
Total Net Assets	(1,215)	(1,205)

**Minnesota Management and Budget
Statewide Services
5200 Management Analysis And Development
Brief Narrative**

Background:

The 5200 fund includes both Management Analysis and Development (MAD) and Enterprise Learning and Development (ELD). MAD provides consulting services projects for client agencies. ELD supports the professional development of the state's talented work force.

Detail of any loans from the general fund, including dollar amounts:

Not applicable

Proposed investments in technology or equipment of \$100,000 or more:

Not applicable

Explanation of changes in net assets (formerly retained earnings increases, operating losses):

Not applicable

Explain any reasons for rate changes:

Not applicable

Impact of rate changes on affected agencies:

Not applicable

Minnesota Management and Budget
State Employees Group Insurance Program (SEGIP)
State Employees Insurance - Fund 5600
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Actual 2016	Projected 2017	Projected 2018	Projected 2019
Operating Revenues:				
Net Sales				
Rental and Service Fees				
Insurance Premiums	824,816	888,731	966,198	1,026,783
Other Income	7,358	7,455	8,586	9,727
Total Operating Revenues	832,174	896,186	974,784	1,036,510
Gross Margin				
Operating Expenses:				
Purchased Services	80,996	80,312	81,050	83,452
Salaries and Fringe Benefits	3,796	4,353	4,654	4,793
Claims	770,413	819,120	872,892	929,195
Depreciation				
Amortization				
Supplies and Materials	21	19	19	20
Indirect Costs	86	117	121	124
Other Expenses	4,876	2,014	309	321
Total Operating Expenses	860,188	905,935	959,045	1,017,905
Operating Income (Loss)	(28,014)	(9,749)	15,739	18,605
Nonoperating Revenues (Expenses):				
Investment Income	1,650	1,263	1,223	1,337
Interest and Financing Costs				
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	1,650	1,263	1,223	1,337
Income (Loss) Before Transfers and Contributions	(26,364)	(8,486)	16,962	19,942
Capital Contributions				
Transfers in				
Transfers out	(21)	(21)	(21)	(21)
Change in Net Assets	(26,385)	(8,507)	16,941	19,921
Net Assets, Beginning as Reported	175,615	149,230	140,723	157,664
Net Assets, Ending	149,230	140,723	157,664	177,585
Rate increase/(decrease)	3.2%	7.7%	8.8%	6.3%
Full Time Equivalents	43.0	48.0	50.0	50.0

Minnesota Management and Budget
State Employees Group Insurance Program (SEGIP)
State Employees Insurance - Fund 5600
Net Assets
(Dollars in Thousands)

	Actual 2016	Projected 2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	228,355	218,131
Investments		
Accounts Receivable	16,531	18,802
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	244,886	236,933
Noncurrent Assets:		
Deferred Costs	521	561
Depreciable Capital Assets (Net)		
Total Noncurrent Assets	521	561
Total Assets	245,407	237,494
LIABILITIES		
Current Liabilities:		
Accounts Payable	86,896	87,383
Interfund Payables		
Unearned Revenue	5,283	5,389
Loans Payable		
Compensated Absences Payable	39	40
Total Current Liabilities	92,218	92,812
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	367	367
Other Liabilities	3,592	3,592
Total Noncurrent Liabilities	3,959	3,959
Total Liabilities	96,177	96,771
NET ASSETS		
Invested in Capital Assets, Net of Related Debt Unrestricted	149,230	140,723
Total Net Assets	149,230	140,723
Total Liabilities and Net Assets	245,407	237,494

**Minnesota Management and Budget
State Employees Group Insurance Program (SEGIP)
State Employees Insurance - Fund 5600
Brief Narrative**

Background:

SEGIP administers insurance benefits to over 127,000 employees, dependents and retirees. Medical and Dental insurance are self insured, with the remaining insurance benefits provided on a fully insured basis.

Insurance Plans are managed on a Calendar Year basis.

During FY 16, Medical Insurance Premiums represented 90 % of the Premiums collected by SEGIP.

Detail of any loans from the general fund, including dollar amounts:

None

Proposed investments in technology or equipment of \$100,000 or more:

None

Explanation of changes in net assets (formerly retained earnings increases, operating losses):

Decreases in FY 16 and 17, primarily reflect the use of Medical Plan Reserves, during the 2015 and 2016 Calendar Years.

Increases in FY 18 and 19, primarily reflect income needed to meet the Medical Plan Reserve Target of 16.7% , by the end of the 2018 Calendar Year.

Explain any reasons for rate changes:

Increases in Premiums reflect a composite change in the cost of insurance benefits. Changes are implemented on a Plan Year basis.

The increase in Medical Premiums, is based on a projected 6.7 % increase in Medical Claim costs paid by SEGIP, during the 2017 to 2019 Plan Years.

Impact of rate changes on affected agencies:

Insurance Benefits , paid by the Agencies and employees, are projected to increase by 8.8 % during FY 18, and 6.3 % during FY 19.