

# Table of Contents

## Department of Commerce

Agency Profile.....	1
Expenditures Overview (REVISED).....	4
Financing by Fund (REVISED).....	6
Change Item: Funding Flexibility for Safety and Soundness.....	10
Change Item: Fraud Bureau Assessment.....	13
Change Item: Securities Funding.....	15
Change Item: Operating Budget Adjustment.....	17
Change Item: Payday Lending Regulation.....	19
Change Item: Energy Efficiency Resource Standard.....	21
Change Item: Sustainable Buildings.....	24
Change Item: Healthy Asbestos Insulation Remediation (Healthy AIR).....	26
Change Item: Weights and Measures Funding.....	28
Change Item: Utility Grid Assessment Extension (NEW).....	30
Financial Institutions Division.....	32
Expenditures Overview.....	34
Financing by Fund.....	35
Petroleum Tank Cleanup Fund.....	36
Expenditures Overview.....	38
Financing by Fund.....	39
Administrative Services.....	40
Expenditures Overview.....	42
Financing by Fund.....	43
Enforcement Division.....	44
Expenditures Overview.....	46
Financing by Fund.....	47
Telecommunications.....	49
Expenditures Overview.....	51
Financing by Fund.....	52
Division of Energy Resources.....	53
Expenditures Overview (REVISED).....	56
Financing by Fund (REVISED).....	57
Weights and Measures.....	59
Expenditures Overview.....	61
Financing by Fund.....	62
Insurance Division.....	63
Expenditures Overview (REVISED).....	65
Financing by Fund (REVISED).....	66
Federal Funds Summary.....	68

### AT A GLANCE

- **\$55.1B** – Bank and credit union assets regulated by the Department
- **\$8.9B** – Securities assets under management regulated by the Department
- **350,000** – Permissions and licenses issued to individuals and entities by the Department
- **\$900M** – Savings for Minnesota utility ratepayers recommended in 2016 regulatory filings
- **133,000** – Low-income households served by the Low-Income Home Energy Assistance Program during federal FY16
- **1,814,246** – Megawatt-hours (MWh) of electricity saved through Conservation Improvement Plans in 2014 and 2015
- **10,000+** – Investigation matters annually
- **\$49,287,005** – Returned to 30,412 claimants by the Unclaimed Property Program in FY16
- **\$9.2M** – Petrofund claims approved during FY15-16
- **467,069** – Total Minnesota Relay service calls in 2015

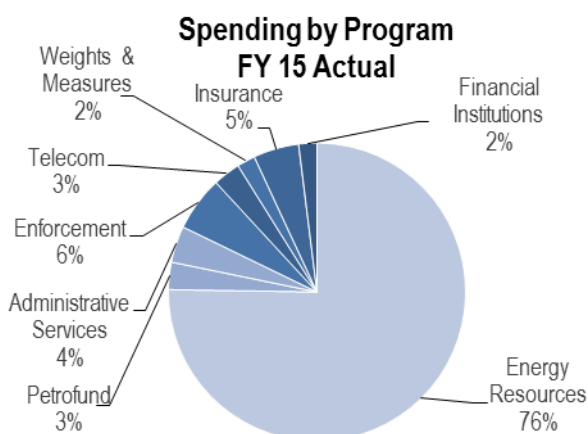
### PURPOSE

The Department of Commerce regulates over 20 different industries and licenses approximately 350,000 individuals and entities to do business in Minnesota. The agency's mission is to protect the public interest; advocate for Minnesota consumers; ensure a strong, competitive and fair marketplace; strengthen the state's economic future; and serve as a trusted public resource for consumers and businesses.

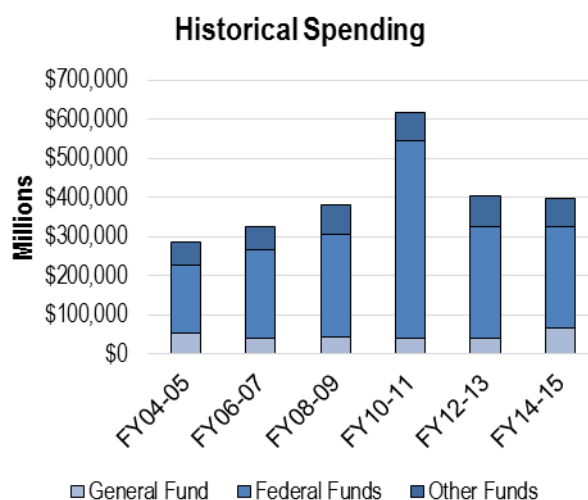
The Commerce Department supports the following statewide outcomes by:

- Licensing and regulating individuals and entities to ensure a thriving economy that encourages business growth and employment opportunities;
- Pursuing civil and criminal enforcement activities to protect Minnesotans from fraudulent activities and ensure strong and stable families and communities;
- Reviewing health insurance products and filings to ensure that all Minnesotans have optimal health;
- Advocating on behalf of the public interest in energy-related matters to ensure a clean, healthy environment with sustainable uses of natural resources;
- Promoting strong, competitive and fair marketplaces to ensure sustainable options to safely move people, goods, services & information;
- Effectively responding to the needs of consumers, licensees and applicants to ensure delivery of efficient and accountable government services.

### BUDGET



Source: BPAS



Source: Consolidated Fund Statement

The Commerce Department's budget is composed of General Fund appropriations, federal funds and Special Revenue funds. The largest component of the Commerce Department's budget is federal funding received for administering the Low-Income Home Energy Assistance and Weatherization Programs. Financial Institutions, Insurance, Telecommunications and Energy Resources assess and recover costs from regulated entities for the General Fund. Petrofund and Weights & Measures are funded exclusively from Special Fund accounts. General Fund operating appropriations for the Commerce Department have remained relatively consistent over the last decade though the department has received funds for one-time purposes. The agency's spending level changes largely reflect the impact of federal stimulus funding that passed through the Commerce Department during the economic downturn.

## **STRATEGIES**

The Commerce Department employs numerous strategies to achieve success throughout its various divisions and business units. Strategies include:

### **Financial Institutions**

- Licensing, examining and regulating state-chartered banks and credit unions, as well as non-depository institutions, to ensure that they remain safe and financially solvent

### **Insurance**

- Regulating insurance companies operating in Minnesota to ensure they remain safe and financially solvent
- Reviewing insurance product filings to ensure that insurance products sold to Minnesotans meet state and federal requirements

### **Administrative Services**

- Serving as the agency's primary point of contact for Minnesota consumers
- Licensing individuals and entities to do business in Minnesota
- Providing unclaimed property services to Minnesotans
- Integrating information management services and technical support for the agency
- Managing day-to-day office, financial and human resources operations for the agency

### **Enforcement**

- Enforcing compliance and responsible business conduct across the agency's entire regulatory portfolio
- Registering securities sold in Minnesota as well as individuals and entities who provide investment services to Minnesotans
- Investigating civil and criminal insurance fraud

### **Energy Resources**

- Advocating on behalf of consumers and ratepayers in electric and gas utility rate proceedings
- Promoting energy-efficient building, conservation, alternative transportation fuels and modern energy technologies
- Overseeing conservation improvement programs operated by public, municipal and cooperative utilities
- Administering low-income heating and weatherization assistance programs

### **Telecommunications**

- Advocating on behalf of consumers and ratepayers in proceedings relating to telecommunications and utilities
- Promoting competition among telecommunications companies in Minnesota

## Weights & Measures

- Ensuring accuracy in all commercial transactions based on weight or measure and the consistent quality of petroleum products in Minnesota
- Providing precision mass, temperature, density and volume measurement services to Minnesota businesses

## Petrofund

- Reimburses petroleum storage tank owners and operators for the cost of investigating and cleaning up petroleum tank releases
- Contracting to remove abandoned underground petroleum storage tanks across Minnesota

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The primary legal authority for the Commerce Department is located in Minn. Stat. §45; the agency's authority, however, extends to numerous additional chapters including: 46, 47, 48, 48A, 49, 50, 51A, 52, 53, 53A, 53B, 53C, 54, 55, 56, 58, 58A, 59A, 59B, 59C, 60A, 60B, 60C, 60D, 60E, 60F, 60G, 60H, 60J, 60K, 60L, 61A, 61B, 62A, 62B, 62C, 62D, 62E, 62F, 62H, 62I, 62J, 62L, 62M, 62Q, 62R, 62S, 62U, 64B, 65A, 65B, 66A, 67A, 69, 70A, 71A, 72A, 72B, 72C, 79, 79A, 80A, 80B, 80C, 81A, 82, 82B, 82C, 83, 115C, 116J, 123B, 169, 174, 176, 214, 216A, 216B, 216C, 216E, 216F, 222, 237, 239, 272, 299F, 301, 318, 325D, 325E, 325F, 325N, 332, 332A, 332B, 334, 345, 359, 386, 462A, 465, 471, 475, 507, 510, 514, 550 and 609B

(Dollars in Thousands)

**Expenditures By Fund**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecasted Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
1000 - General	43,589	24,076	23,354	34,704	27,197	27,197	24,412	25,119
2000 - Restrict Misc Special Revenue	28,952	29,393	34,292	35,887	32,327	31,769	41,599	41,681
2001 - Other Misc Special Revenue	235	164	117	356	300	300	300	300
2350 - Petroleum Tank Release Cleanup	4,769	5,176	5,996	10,537	10,537	10,537	10,549	10,558
2403 - Gift	0	0	0	1	0	0	0	0
2830 - Workers Compensation	659	698	716	787	751	751	751	751
3000 - Federal	127,877	130,403	120,524	131,137	144,629	142,929	144,629	142,929
6000 - Miscellaneous Agency	77	51	128	249	215	215	215	215
<b>Total</b>	<b>206,158</b>	<b>189,962</b>	<b>185,127</b>	<b>213,658</b>	<b>215,956</b>	<b>213,698</b>	<b>222,455</b>	<b>221,553</b>
<i>Biennial Change</i>				2,664		30,868		45,222
<i>Biennial % Change</i>				1		8		11
<i>Governor's Change from Base</i>								14,354
<i>Governor's % Change from Base</i>								3

**Expenditures by Program**

Program: Financial Institutions	4,401	4,355	4,722	5,011	4,865	4,865	6,055	6,695
Program: Petroleum Tank Cleanup Fund	4,769	5,176	5,996	10,537	10,537	10,537	10,549	10,558
Program: Administrative Svcs - Commerce	8,270	7,910	8,218	10,004	9,371	9,014	10,726	11,076
Program: Enforcement - Commerce	9,851	10,873	12,019	15,348	12,290	11,996	14,136	13,842
Program: Telecommunications	5,056	4,850	4,695	5,414	5,305	5,305	5,305	5,305
Program: Energy Resources	161,672	144,515	136,171	151,731	159,075	157,668	160,885	159,478
Program: Weights & Measures	3,425	3,386	3,558	3,465	3,515	3,515	3,801	3,801
Program: Insurance	8,714	8,898	9,748	12,149	10,999	10,799	10,999	10,799
<b>Total</b>	<b>206,158</b>	<b>189,962</b>	<b>185,127</b>	<b>213,658</b>	<b>215,956</b>	<b>213,698</b>	<b>222,455</b>	<b>221,553</b>

**Expenditures by Category**

Compensation	29,344	30,394	30,948	37,747	35,931	35,399	40,236	41,020
Operating Expenses	24,440	24,713	29,190	43,382	34,361	33,920	35,926	35,525
Other Financial Transactions	1,099	825	853	261	561	561	930	930
Grants, Aids and Subsidies	151,174	133,766	123,952	132,162	144,947	143,662	145,207	143,922
Capital Outlay-Real Property	101	265	184	105	155	155	155	155
<b>Total</b>	<b>206,158</b>	<b>189,962</b>	<b>185,127</b>	<b>213,658</b>	<b>215,956</b>	<b>213,698</b>	<b>222,455</b>	<b>221,553</b>
Total Agency Expenditures	206,158	189,962	185,127	213,658	215,956	213,698	222,455	221,553
Internal Billing Expenditures	991	1,182	1,473	1,329	1,304	1,284	1,304	1,284
<b>Expenditures Less Internal Billing</b>	<b>205,167</b>	<b>188,780</b>	<b>183,654</b>	<b>212,329</b>	<b>214,652</b>	<b>212,414</b>	<b>221,151</b>	<b>220,269</b>

**Full-Time Equivalents**

338.0	337.7	338.2	356.6	348.2	343.0	364.2	364.0
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**1000 - General**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	2,221	0	2,417	0	0	0	0
Direct Appropriation	45,913	23,995	25,960	32,362	27,274	27,274	24,489	25,196
Net Transfers	2,418	220	1,506	1,660	1,658	1,658	1,658	1,658
Cancellations	2,596	2,360	1,695	1,735	1,734	1,734	1,734	1,734
<b>Expenditures</b>	<b>43,589</b>	<b>24,076</b>	<b>23,354</b>	<b>34,704</b>	<b>27,197</b>	<b>27,197</b>	<b>24,412</b>	<b>25,119</b>
Balance Forward Out	2,146	0	2,417	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(9,608)		(3,663)		(8,526)
<i>Biennial % Change in Expenditures</i>				(14)		(6)		(15)
<i>Gov's Exp Change from Base</i>								(4,863)
<i>Gov's Exp % Change from Base</i>								(9)
Full-Time Equivalents	210.7	208.5	201.7	214.5	210.5	210.5	163.0	163.0

**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	29,539	43,445	57,157	68,137	76,853	88,946	76,853	88,946
Receipts	42,516	42,666	45,606	44,996	44,814	44,814	54,086	54,726
Internal Billing Receipts	992	1,110	1,473	1,250	1,250	1,250	1,250	1,250
Net Transfers	(695)	(285)	(334)	(394)	(394)	(394)	(394)	(394)
<b>Expenditures</b>	<b>28,952</b>	<b>29,393</b>	<b>34,292</b>	<b>35,887</b>	<b>32,327</b>	<b>31,769</b>	<b>41,599</b>	<b>41,681</b>
Balance Forward Out	42,408	56,434	68,137	76,853	88,946	101,597	88,946	101,597
<i>Biennial Change in Expenditures</i>				11,834		(6,084)		13,100
<i>Biennial % Change in Expenditures</i>				20		(9)		19
<i>Gov's Exp Change from Base</i>								19,184
<i>Gov's Exp % Change from Base</i>								30
Full-Time Equivalents	82.0	85.6	94.5	95.1	92.1	87.4	155.6	155.9

**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	100	100	100	56	0	0	0	0
Receipts	235	164	73	300	300	300	300	300
<b>Expenditures</b>	<b>235</b>	<b>164</b>	<b>117</b>	<b>356</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>
Balance Forward Out	100	100	56	0	0	0	0	0

**2001 - Other Misc Special Revenue**

<i>Biennial Change in Expenditures</i>			74		127	127
<i>Biennial % Change in Expenditures</i>			19		27	27
<i>Gov's Exp Change from Base</i>						0
<i>Gov's Exp % Change from Base</i>						0
Full-Time Equivalents	0.7	0.6	0.4	0.4	0.4	0.4

**2350 - Petroleum Tank Release Cleanup**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	324	0	190	190	0	190	0
Direct Appropriation	1,052	1,052	1,052	1,052	1,052	1,052	1,064	1,073
Open Appropriation	9,522	9,146	11,271	15,585	16,485	16,485	16,485	16,485
Net Transfers	(5,481)	(4,770)	(6,137)	(6,100)	(7,000)	(7,000)	(7,000)	(7,000)
Cancellations	0	576	0	0	190	0	190	0
<b>Expenditures</b>	<b>4,769</b>	<b>5,176</b>	<b>5,996</b>	<b>10,537</b>	<b>10,537</b>	<b>10,537</b>	<b>10,549</b>	<b>10,558</b>
Balance Forward Out	323	0	190	190	0	0	0	0
<i>Biennial Change in Expenditures</i>				6,588		4,541		4,574
<i>Biennial % Change in Expenditures</i>				66		27		28
<i>Gov's Exp Change from Base</i>								33
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	6.9	6.7	6.9	6.9	6.9	6.9	6.9	6.9

**2403 - Gift**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	90	90	91	91	91	91	91	91
Receipts	0	0	1	1	0	0	0	0
<b>Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance Forward Out	90	91	91	91	91	91	91	91
<i>Biennial Change in Expenditures</i>				1		(1)		(1)
<i>Biennial % Change in Expenditures</i>						(100)		(100)

**2830 - Workers Compensation**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	92	0	35	0	0	0	0



**2830 - Workers Compensation**

Direct Appropriation	751	751	751	751	751	751	751	751
Cancellations	0	145	0	0	0	0	0	0
<b>Expenditures</b>	<b>659</b>	<b>698</b>	<b>716</b>	<b>787</b>	<b>751</b>	<b>751</b>	<b>751</b>	<b>751</b>
Balance Forward Out	92	0	35	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				145		(1)		(1)
<i>Biennial % Change in Expenditures</i>				11		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	4.8	4.9	5.3	5.3	5.3	5.3	5.3	5.3

**3000 - Federal**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	3	16	34	0	0	0	0	0
Receipts	127,885	130,420	120,489	131,137	144,629	142,929	144,629	142,929
<b>Expenditures</b>	<b>127,877</b>	<b>130,403</b>	<b>120,524</b>	<b>131,137</b>	<b>144,629</b>	<b>142,929</b>	<b>144,629</b>	<b>142,929</b>
Balance Forward Out	11	32	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(6,619)		35,896		35,896
<i>Biennial % Change in Expenditures</i>				(3)		14		14
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	32.8	31.4	29.4	34.5	33.1	32.6	33.1	32.6

**3002 - Oil Overcharge**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	232	232	232	232	232	232	232	232
Balance Forward Out	232	232	232	232	232	232	232	232

**6000 - Miscellaneous Agency**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	35	14	134	52	0	0	0	0
Receipts	56	171	46	197	215	215	215	215
<b>Expenditures</b>	<b>77</b>	<b>51</b>	<b>128</b>	<b>249</b>	<b>215</b>	<b>215</b>	<b>215</b>	<b>215</b>
Balance Forward Out	14	134	52	0	0	0	0	0

**6000 - Miscellaneous Agency**

<i>Biennial Change in Expenditures</i>	248	53	53
<i>Biennial % Change in Expenditures</i>	193	14	14
<i>Gov's Exp Change from Base</i>			0
<i>Gov's Exp % Change from Base</i>			0

## Department of Commerce

### FY18-19 Biennial Budget Change Item

#### Change Item Title: Funding Flexibility for Safety and Soundness

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	(4,885)	(4,885)	(4,885)	(4,885)
Revenues	(4,270)	(4,270)	(4,270)	(4,270)
Special Revenue Funds				
Expenditures	6,075	6,715	6,715	6,715
Revenues	6,075	6,715	6,715	6,715
Net Fiscal Impact = (Expenditures – Revenues)	(615)	(615)	(615)	(615)
FTEs	5	10	10	10

#### Recommendation:

The Governor recommends moving the Financial Institutions Division from the General Fund to a Special Revenue Fund in order to provide the Division the funding flexibility that is necessary to maintain safety and soundness of Minnesota banks and lending institutions, and to keep pace with market wages. The Governor also recommends increasing certain license and renewal fees that apply to non-depository institutions. This recommendation will provide for ten new FTEs to conduct examinations of state-chartered financial institutions to ensure a competitive market for a broad range of financial services, mitigating and resolving financial stress and insolvencies with minimal financial losses to citizens.

Base funding for the Financial Institutions Division currently includes a General Fund appropriation and off-setting General Fund revenue. Depending on the type of financial institutions, the revenue comes either through assessment, license and renewal fees and/or examination charges, and all revenue is deposited in the General Fund as non-dedicated revenue. Under this recommendation, Commerce would continue to collect these funds but assessment revenues would be deposited in a Special Revenue Fund account.

This recommendation provides \$615,000 in net savings to the General Fund each year.

#### Rationale/Background:

Regulation of state chartered financial institutions is currently below statutory minimums, placing the state's banking and non-depository financial safety and security into risk or jeopardy.

Staffing and compensation has been a serious issue over the last eight years or more. Due to this, Commerce could lose the agency's accreditation for banking and credit union examinations. The Department has not been able to keep pace with staffing departures, as staff have left for comparable jobs with higher pay with federal regulators and other banking institutions.

The workload of the Financial Institutions division is established by statute and the examination quality standards are established by accreditation standards, working relationships with Federal regulators, and the complexity of the institutions. The following is a breakdown of the three areas within the Financial Institutions Division and the required workloads:

- Banking – Commerce is the primary state regulator for 251 banks, totaling \$43.2 billion in assets, \$36.8 billion in deposits, and \$516.8 million in annual net income. Supervision of banks is shared with Federal regulators. The State is responsible for approximately 87 bank examinations annually. Workforce modeling, provided by the Conference of State Bank Supervisors (CSBS), estimates that an additional 12 field examiners are needed to adequately conduct these examinations<sup>1</sup>.

<sup>1</sup> This estimate is conservative as it assumes no problem banks. The state is currently tracking 17 problem banks. During the 2008-2012 banking recession, as many as 111 banks were considered a problem bank.

- Credit Unions – Commerce is the primary state regulator for 78 state chartered credit unions, totaling \$11.9 billion in assets, \$10.2 billion in deposits, and \$81.9 million in net income. The Federal regulators do not formally share examination responsibilities. The state is responsible for approximately 39 examinations annually.
- Non-Depository – Commerce regulates 389 non-depository companies, 3,000 automatic teller machines, 586 mortgage companies, and 4,975 individual mortgage originators. This area is extremely diverse, and encompasses several activities that are partially regulated by Federal entities; however, none of the entities are fully regulated by a Federal regulator. Because of staffing and funding deficiencies, and examination program setbacks, the Minnesota Department of Commerce is not currently meeting examination requirements as established by Minn. Stat. §46.04.

The Division has relied on Federal regulators to bear an unequal share of labor. Banking has a formal shared examination agreement with the FDIC and Federal Reserve Bank and an established working relationship with the National Credit Union Administration (NCUA). These agencies share examination results and fund a significant portion of staff training costs. Banking has deferred at least 17 examinations to Federal regulators and has not met its commitment to provide equal labor on shared examinations. Credit Unions have relied heavily on the subject matter expertise of the Federal regulators. These practices reduce the Minnesota Department of Commerce's effectiveness as a regulator and increases dependence on the Federal agencies. If, for any reason, the Federal agencies are not able to continue supplementing the Division's examination programs<sup>2</sup>, the examinations will not be completed.

As the number of qualified, experienced examiners has been reduced to staff leaving and retirement, examination practices have had to be conducted by entry-level examiners. This reduces the quality of examinations.

Commerce has for the first time built out critical non-depository institutions oversight and regulation (e.g. payday, mortgage, lending), but doing so has affected Division funding as a whole. The Division must fill the gap left in the banking and credit union units and allow for additional staff to keep building up the work that has been started in oversight of these non-depository institutions.

### **Proposal:**

This proposal changes the existing approach to funding the Financial Institutions Division to allow for more timely response and budget flexibility to meet statutory and workload requirements. The increase in funding would ensure that all financial institutions are operating according to statute. The division needs to be fully funded to regulate the industries it oversees.

While the Department is requesting funding flexibility to allow for an increase in the Financial Institutions budget, it is important to distinguish that the Financial Institutions division is funded through examination fees and assessments of the industry. This request will not utilize any general taxpayer funds.

The proposal would allow for an additional ten FTEs and funding for the staffing reassignment that was recently approved for existing employees. These FTEs would be split by adding five FTEs in Banking, one FTE in Credit Unions, and four FTEs in Non-Depository. The request also includes funds to increase examiners salary closer to market wages. This will reduce turnover and increase examiner competency.

Statutory changes are needed to increase license and renewal fees, including those for: debt management service provider, debt settlement service provider, industrial loan and thrift, insurance premium finance, motor vehicle finance, regulated lender, consumer small loan lender, safe deposit company, accelerate mortgage payment, credit service organization, currency exchange, residential mortgage originator, residential mortgage servicer, mortgage loan officer, electronic funds transfer, and money transmitter.

The proposal also re-writes Minnesota Statute section 47.60, subdivision 6 since there are currently two subdivision 6 clauses. The subdivision is rewritten to include the largest penalties from both criminal and civil clauses. Language in Minnesota Statute section 47.60 is amended to require a consumer small loan lender to advise the commissioner of any material changes to the information submitted in its application within 30 days of the change.

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<sup>2</sup> The FDIC has indicated that it will not be able to conduct any examinations for the banking area for the next several quarters due to their own staffing concerns, and the NCUA has indicated it too will not be providing as much expertise starting in 2017.

The proposal is effective July 1, 2017.

### Results:

The Financial Institutions Division measures success by:

- Monitoring the financial health of Minnesota's state banks, credit unions, trust companies, mortgage companies, and the nation's only certificate investment company
- Conducting examinations of banks, credit unions, finance and mortgage companies
- Initiating corrective actions where appropriate
- Acting on various licensing and activities applications for the supervised enterprises in a timely manner and according to statutory requirements
- Maintaining accreditation (peer review quality control) with the Conference of State Bank Supervisors
- Minimizing the impact on Minnesotans in the event of a financial institution failure through timely and adequate intervention procedures
- Assisting the Legislature in updating state statute and regulations as needed

The Minnesota Department of Commerce is charged with examining state chartered and/or licensed financial institutions by Minnesota Statute sections 46.04 and 52.06. Both statutes require examinations at least once every 24 months. The Department of Commerce is required to perform a defined number of examinations every year. The current budget for the Financial Institutions division does not allow for adequate examination staff to meet these obligations. Failure to meet statutory examination requirements is detrimental to Minnesota financial markets and significantly reduces consumer protection.

<i><b>Type of Measure</b></i>	<i><b>Name of Measure</b></i>	<i><b>Previous</b></i>	<i><b>Current</b></i>	<i><b>Dates</b></i>
Quality	Act on company licensing applications and corporate amendment applications on a timely basis	60 days	60 days	2015 and 2016
Results	Increase number of licensed programs types utilizing NMLS(1)	1	4	2015 and 2016

### Performance Measure Notes:

1. This performance measure tracks the Division's progress towards achievement of a long-term goal to move all non-depository institutions to the same electronic licensing platform. Two more licensed program types will start using NMLS in late 2016 or early 2017.

### Statutory Change(s):

This change item would require a statutory change to Minn. Stat. §46, 47, 48, 48A, 49, 50, 51A, 52, 53, 53A, 53B, 53C, 54, 55, 56, 58, 332, 332A, 332B.

## Department of Commerce

### FY18-19 Biennial Budget Change Item

#### Change Item Title: Fraud Bureau Assessment

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Funds				
Expenditures	1,361	1,361	1,361	1,361
Revenues	1,361	1,361	1,361	1,361
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
<b>FTEs</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>

#### Recommendation:

The Governor recommends that the Commerce Fraud Bureau (CFB) Assessment level be raised for the first time since 2004 to adequately fund the CFB. This proposal will allow for 4 additional peace officer agents and provide adequate operating funding to meet its mission to maintain safety and security against fraud and to effectively fight white collar crime.

#### Rationale/Background:

The Commerce Fraud Bureau is comprised of licensed peace officers who undertake criminal investigations related to insurance fraud in Minnesota. Fraud Bureau staff reviews notices and reports of insurance fraud submitted by insurers, their employees, insurance producers or the public as well as complaints of suspected insurance fraud generated by other law enforcement agencies, and local, state and federal government units. The Fraud Bureau administers the Auto Theft Prevention program which partners with local law enforcement to reduce the incidence of auto theft across Minnesota. The Fraud Bureau also works with Insurance Company Special Investigative Units and law enforcement partners to educate consumers on how to avoid insurance fraud.

Originally established in 2004, the Fraud Bureau is funded through an assessment formula outlined in Minn. Stat. §45.0135 Subd. 7. The formula charges insurers authorized to sell insurance in Minnesota that have Minnesota earned premium the previous calendar year a fixed amount based on their total assets and total written premium for the preceding fiscal year. This assessment formula has not been updated since its original inception in 2004.

The Commerce Fraud Bureau workload has increased significantly, but assessment funding has not kept pace over the years.

#### Proposal:

The Governor recommends a modification to the existing fee structure in statute to provide a \$2.7 million biennial increase in funding for the Commerce Fraud Bureau. No new companies or industries would be added to the assessment.

The assessment rates would be changed to \$375, \$1,375, and \$3,625. The companies paying \$375 would be paying 10.3% of the assessment being charged to the largest payers, in comparison to their current 10%. The companies paying \$1,375 would be paying 37.9% of the assessment being charged to the largest payers, in comparison to their current 38%.

The total assessment collected under this model would be \$3,011,000.

This change item is a modification to an existing program. The intended results are to provide the Commerce Fraud Bureau with additional resources needed to continue to carry out its mission to investigate insurance fraud crimes in Minnesota. Without additional funding for the Commerce Fraud Bureau, the agency will not be able to carry out its mission to protect consumers and ensure a fair and equitable insurance marketplace through effective regulation and criminal investigation of insurance fraud in the state.

This proposal provides funding for four additional Commerce Fraud Bureau Agents who would be immediately put to work on behalf of Minnesotans. The CFB currently has 12 Agents.

This proposal is effective July 1, 2017.

#### IT Related Proposals:

This change item does not have an IT component.

#### Results:

In 2008, four years after its creation, the Bureau obtained 27 criminal charges as a result of their investigations. In 2015, 129 criminal charges were obtained. This represents an increase of 378%. During the previous five year period (2011 – 2015), the Bureau obtained on average 93 criminal charges against defendants.

During the same period, the economic impact to Minnesotans as measured by the amount of criminal activity successfully prosecuted rose from \$9,542,971.00 to \$48,077,923.00. This is an increase of 404%.

During the previous five year period (2011 – 2015) the average annual economic impact of the cases charged through Bureau investigations was \$28,883,500.

Below is a further breakdown of CFB measures:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Incoming investigative requests	924	2,061	2008 & 2015
Quantity	Sworn Staff	9	12	2008 & 2015
Quantity	Support Staff – Analysts	5	3	2008 & 2015
Quality	Criminal Charges Obtained	27	129	2008 & 2015
Results	Economic Impact to Minnesotans on cases criminally charged by the Fraud Bureau	\$9,542,971	\$48,077,923	2008 & 2015

#### Auto-Theft Prevention

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Case Referrals to Commerce Fraud Bureau	924	2,061	2008 & 2015
Quality	Reported Auto Thefts in Minnesota	10,649	8,261	2008 & 2015

#### CFB Case Referrals 2008-Present

<b>Year</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016*</b>
Case referrals	924	1,150	1,324	1,358	1,424	1,735	1,834	2,061	1,688

\* 2016 Data is current as of 10/08/16

#### Statutory Change(s):

This proposal will require a statutory change to Minnesota Statutes Section 45.0135 subd. 7 to increase the assessment amounts currently charged to insurance companies.

## Department of Commerce

### FY18-19 Biennial Budget Change Item

#### Change Item Title: Securities Funding

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	485	485	485	485
Revenues	2,660	2,660	2,660	2,660
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(2,175)	(2,175)	(2,175)	(2,175)
FTEs	4	4	4	4

#### Recommendation:

The Governor recommends that, for better investor protection and business capital formation, providing for four new FTEs in the Securities Unit by instituting a license and renewal fee for Investment Adviser Representatives, as well as raising the renewal fees for Broker Dealer Agents.

#### Rationale/Background:

The Commerce Department is the state-level securities regulator in Minnesota. The Securities unit safeguards consumers and investors through oversight over securities products, investments, franchises and subdivided land. The unit advocates for, and provides assistance to, investors and consumers through complaint resolution, education and public engagement. The Securities Unit is responsible for:

- Registration of broker dealers, agents, investment advisers, investment adviser representatives, securities offerings, franchise offerings, subdivided land offerings
- Processing notice filings for mutual funds, unit investment trusts, securities registration exemptions, franchise registration exemptions, and other federal covered securities
- Performing compliance examinations of (approximately 300) investment advisers registered in Minnesota
- Performing enforcement investigations involving violations of the Minnesota Securities Act, Minnesota Franchise Act, and subdivided land statutes
- Assisting with public engagement and education efforts to assist consumers and regulated industry

An increase in Securities FTEs is needed due to increased state regulatory responsibilities required by the Dodd-Frank Act at a cost of approximately \$600,000 to the agency with no increase in appropriation. Regulation of the state-regulated securities industry is below statutory minimums, placing the state's financial safety and security into jeopardy.

In addition, the recent Department of Labor's Fiduciary Rule, which expands ERISA's definition of "fiduciary" to include many broker-dealers and agents, is likely to cause an increase in state-registered investment adviser registration applications, as broker-dealers move away from Financial Industry Regulatory Authority and Securities and Exchange Commission (SEC) oversight, increasing the need for additional staff to oversee state regulation.

#### Proposal:

The Securities unit's regulatory program includes registration, examination and enforcement as well as investor education and outreach. This proposal will allow the unit to expand investor education and engagement efforts already contemplated in existing law under Minnesota Statute section 80A.78 while providing capacity to meet the demands of the current regulatory workload.



This proposal would add four FTEs to the Securities Unit, paid for by a newly created \$50 fee for Investment Adviser Representatives (IAR) initial licenses and renewals and raising the Broker Dealer Agent fee from \$50 to \$65. Currently, Minnesota is the only state in the nation that does not charge a fee for department services to support IAR licenses.

This proposal is effective July 1, 2017. Fee changes will be effective for new or renewed registrations on or after that date.

#### Results:

- Safeguard investors' and consumers' rights with respect to securities products, investments, franchises, and subdivided land
- Regulate and register business activity to ensure compliance, responsible business conduct and practices, and ensuring a fair and consistent regulatory environment
- Advocate for, and provide assistance to, investors and consumers through consumer complaint resolution and public education and outreach
- Work with other state, federal and self-regulatory bodies that share regulatory authority over the securities area

<i><b>Type of Measure</b></i>	<i><b>Name of Measure</b></i>	<i><b>Previous</b></i>	<i><b>Current</b></i>	<i><b>Dates</b></i>
Quantity	Investment Advisor Representative Registrations	10,107	10,639	2014 and 2015
Quantity	Broker-Dealer Agents	133,496	140,242	2014 and 2015
Quantity	Investment Advisors Registrations with a principal office in Minnesota *	264	274	2014 and 2015

In addition to investment advisors, the Securities Unit also registers broker dealers, agents, franchises and timeshares.

\* Following implementation of the Dodd-Frank Act, the Department became the sole regulator of investment advisers based in Minnesota with assets under management of \$100 million or less. The number of investment advisers registered and located in Minnesota has increased since Dodd-Frank. The implementation of the U.S. Department of Labor's "Fiduciary Rule" (effective in April 2017) is likely to further increase the number of state-registered investment advisers as small broker-dealers adjust their business practices to comply with the rule.

#### Statutory Change(s):

This change item would require a statutory change to Minn. Stat. §80A.65 and §80A.61 to account for the new IAR fee and the increase in the Broker Dealer Agent fee.

## Department of Commerce

### FY18-19 Biennial Budget Change Item

#### Change Item Title: Operating Budget Adjustment

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	1,355	2,062	2,062	2,062
Revenues	0	0	0	0
Petroleum Tank Release Cleanup Fund				
Expenditures	12	21	21	21
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,367	2,083	2,083	2,083
FTEs	0	0	0	0

#### Recommendation:

The Governor recommends \$1,355,000 in FY 2018 and \$2,062,000 in FY 2019 ongoing from the General Fund, and \$12,000 in FY 2018 and \$31,000 in FY 2019 and each year thereafter from the Petroleum Tank Release Cleanup Fund, to support core functions of the Commerce Department to address the annual increasing cost of doing business – employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Essential functions of the Department have been severely impacted over the last several years because of budget pressures and the need to delay hiring and leave positions open for salary savings to fund immediate needs. The funds in the Governor's Budget will help offset rent increases, address risk management concerns, agency cost pressures, information technology security maintenance and address salary deficiencies.

This change item is equal to 5.9% of the general fund biennial appropriation for the Department of Commerce.

#### Rationale/Background:

As budget pressures have increased over the last few years, resources have been used to fund high priority functions. This has left the Department vulnerable in a few key areas.

The Department has focused on risk management in the following key areas.

- The Department has identified key information technology systems in need of upgrades to ensure data security. Commerce has prioritized funding in the past few years to begin to address these issues at the cost of staffing and other priorities. This request will provide the necessary funding to address IT security issues and use technology to provide more efficient services to the benefit of Minnesota consumers, including the Department's Unclaimed Property (UCP) Unit.
- The Department has started the process of working on a comprehensive continuity of operations plan. A portion of the business side of the plan has been developed, however there is no plan in place for information technology. This poses a large risk to the services Commerce provides to Minnesota citizens.

This proposal will help the Department shore up basic agency central services including human resources, accounting services, and internal controls. The prioritization to fully fund programs that directly affect citizens or address critical security needs has materially impacted the agency's central service infrastructure. These areas are critical and without ongoing stable funding, may adversely affect the agency if not addressed.

This proposal will provide the Department with the resources to plan additional outreach around the state, react quicker to consumer and regulatory entities' concerns and inquiries, increase Unclaimed Property outreach events, and process license applications and renewals more quickly.

Finally, this request will help the Department commit sustainable resources to necessary staff training and development.

**Proposal:**

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For Commerce this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs and to stabilize the basic infrastructure of the Department and continue to serve Minnesotans.

Funding from the general fund in this proposal addresses:

- \$250,000 UCP system cybersecurity maintenance
- \$220,000 per year for rent
- \$445,000 in FY18 and \$901,000 in FY19 to address salary deficiencies
- \$125,000 for agency pressures

This proposal supports the Department's work responding to the needs of consumers, licensees and the public.

**Results:**

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Percentage of databases with security concerns	53.3%	50%	2014 and 2016
Quantity	Enforcement investigations initiated	2,286	2,780	2014 and 2015
Quantity	Paid Unclaimed Property Claims	13,052	30,412	2014 and 2016

**Statutory Change(s):**

This proposal does not require a statutory change.

## Department of Commerce

### FY18-19 Biennial Budget Change Item

#### Change Item Title: Payday Lending Regulation

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	11	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	11	0	0	0
FTEs	0	0	0	0

#### Recommendation:

The Governor recommends protecting consumers from the cycle of debt that traps consumers taking out payday loans by closing the “Industrial Loan and Thrift Loophole,” and limiting a borrower to no more than four payday loans in a 12-month period.

#### Rationale/Background:

Currently, the largest companies involved in payday lending activity in Minnesota are not obtaining their licenses under the Small Consumer Loan statute (Minn. Stat. §47.60), but rather under the Industrial Loan and Thrift statute that allows companies to charge rates significantly higher than the rates allowed under the Consumer Small Loan statute. On top of this, these companies often “churn” their customers from one high-rate loan into the next, getting them caught up in a debt trap with no ability to repay.

#### Proposal:

This proposal would close what is known as the “Industrial Loan and Thrift Loophole” that is being exploited by payday lenders in Minnesota, by prohibiting industrial loan and thrift companies from making a consumer short-term loan under any section other than the small consumer loan statute, Minn. Stat. §47.60. As a result, the proposal will generate \$11,250 in new, one-time general fund revenue due to companies that are now registered as Industrial Loan & Thrifts having to register instead under the Small Consumer Loan statute.

The proposal also limits borrowers to no more than four short-term loans within a 12-month period and limits their short-term loan debt to no more than 90 days. To do this, the proposal would use the Veritec, or similar, database system to verify a borrower’s number of short-term loans and the number of days the borrower is indebted for those loans.

The proposal also requires consumer small loan lenders to advise the Department of material changes to the information submitted in its most recent application within 30 days of the change.

#### Equity and Inclusion:

Lower income and minority communities are often targets of payday lenders with high interest rates and fees. This proposal will have a large, positive impact on those who rely on payday loans, including underbanked and low-income populations, by providing a lower cap on interest rates and fees.

#### IT Related Proposals:

This proposal would require use of the Veritec, or similar, database. There is no cost to the State for the use of the Veritec database. Veritec charges the lender a per transaction fee for use of the database.

**Results:**

The use of the database will allow Commerce to verify that the new requirements are being met and that borrowers are not able to take out more than four loans in a 12-month period.

**Statutory Change(s):**

This change item would require a statutory change to Minn. Stat. §53.04, and §47.59 to ensure payday loans are only be made under the consumer small loan statute.

## Department of Commerce

### FY18-19 Biennial Budget Change Item

#### Change Item Title: Energy Efficiency Resource Standard

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Funds				
Expenditures	400	400	400	400
Revenues	400	400	400	400
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Request:

The Governor recommends raising the Energy Efficiency Resource Standard (EERS) from 1.5% to 2% for electric utilities while maintaining a 1% requirement for natural gas utilities. The Governor also recommends, embedded within the EERS, a Combined Heat and Power (CHP) standard of 800 MW for electric utilities and 34 TBtu for natural gas utilities by 2030.

The Department of Commerce would continue to assess \$400,000 per year for technical assistance under Minnesota Statute section 216B.241 1d, Paragraph (a) which is set to expire on June 30, 2017.

#### Rationale/Background:

The Next Generation Energy Act of 2007 established an EERS for electric and natural gas utilities in Minnesota, including investor-owned utilities, electric cooperatives, and municipal utilities. Under the EERS, utilities are currently required to develop plans to achieve energy savings equal to 1.5% of gross annual retail sales through the Conservation Improvement Program (CIP) projects designed to help their customers improve end-use energy efficiency.

There are approximately 180 electric and natural gas utilities required to meet the EERS, and Commerce has regulatory authority over this function of the utilities. Commerce's responsibilities include managing regulatory compliance, providing technical assistance to utilities, establishing engineering methodologies for quantifying energy savings, establishing and enforcing measurement and verification protocols, administering the Conservation Applied Research & Development (CARD) program, and other functions as defined in statute.

Energy conservation and efficiency is the most cost-effective energy resource available in Minnesota. Residents and businesses who participate in CIP benefit from lowered utilities bills through reduced demand and consumption. In 2013, Commerce estimated, based on CIP historical performance that over \$2.6 billion dollars have been saved by ratepayers through energy efficiency and conservation.

Additional benefits of raising the EERS include increased sales for Minnesota's trade allies that sell and install energy efficiency technology or services; reduced need for Low-Income Heating Assistance because of the dedicated low-income spending required in CIP; and greater innovation of technologies and program design to meet the needs of advancing standards and goals. The 2015 report written by Cadmus<sup>1</sup> found that between 2008 and 2013, the energy efficiency resource standard provided Minnesota with an estimated employment impact of 8,405 direct jobs and 54,777 total jobs.

<sup>1</sup> <https://www.cards.commerce.state.mn.us/CARDS/security/search.do?method=showPoup&documentId={108E8C6A-9CB4-4DFE-BE50-BD38F7C62386}&documentTitle=253805&documentType=6>

Demand-side management (DSM) through the Conservation Improvement Program directly results in reduced carbon emissions and has the potential to be one of the more cost effective solutions for reducing greenhouse gas emissions. For example, in the most recent CO2 Report, Commerce found that in 2010-2011 (the first years of the energy savings requirement), nearly 2 million tons of CO2 emissions were avoided which is roughly the equivalent of removing 371,000 cars from the road for one year.

This proposal supports the Department's work advocating on behalf of the public interest in energy-related matters to ensure a clean, healthy environment with sustainable uses of natural resources.

**Proposal:**

This proposal is a change to the existing Energy Efficiency Resource Standard and is needed to advance energy efficiency and conservation in Minnesota to positively impact Minnesota's energy system, economy and environment.

This proposal would increase the EERS from an annual 1.5% target to an annual 2.0% target for electric utilities through increased DSM and electric utility infrastructure (EUI) efficiency implementation in CIP. Natural gas utilities would maintain the 1% requirement.

In addition to increasing the annual EERS to 2.0%, a CHP standard would be embedded within the utility CIP requirements. Both natural gas and electric utilities would be required to include in their CIP plans, budgets and goals to meet a statewide CHP standard (to be met by 2030) of 800MW for electric utilities and 34 TBtu for natural gas utilities.

The Department would continue to assess \$400,000 per year for technical assistance for the purpose of operating, maintaining and providing technical support for the uniform electronic data reporting and tracking system which is used to accurately measure the cost and energy savings.

This proposal is effective July 1, 2017.

**IT Related Proposals:**

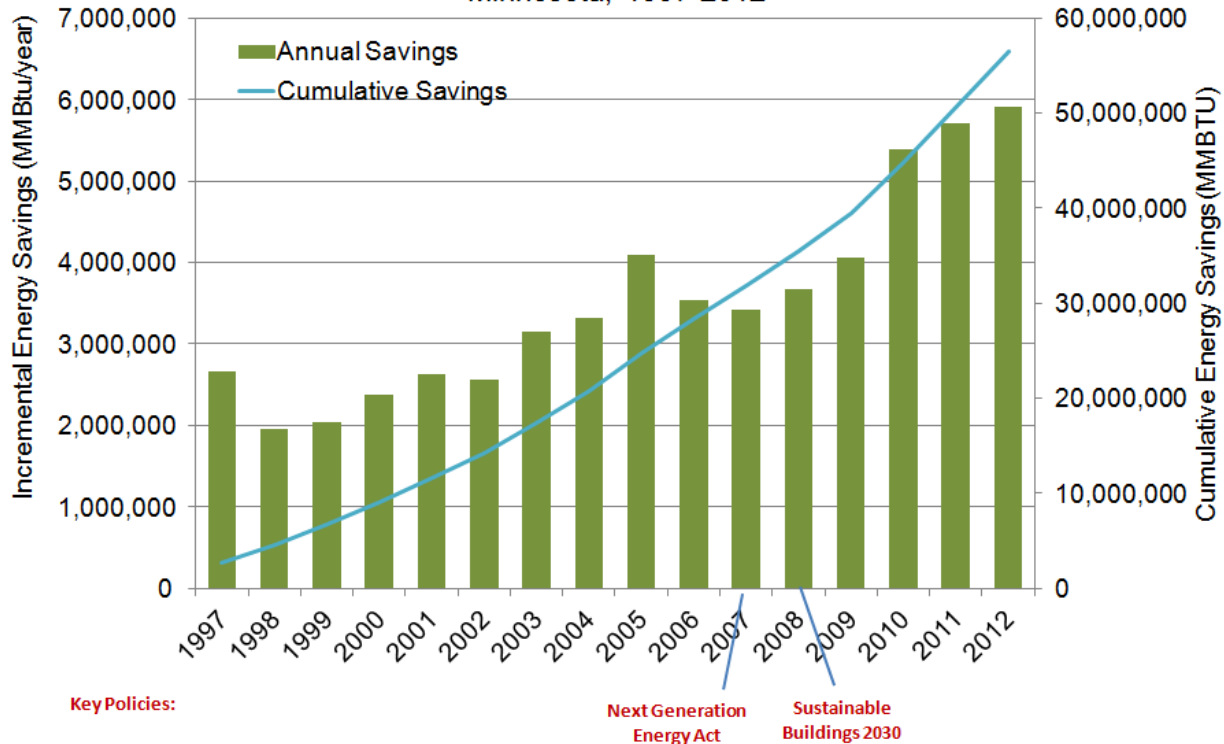
There is not an information technology component to this change item.

**Results:**

All Minnesota electric and natural gas utilities subject to the current energy efficiency resource standard are required to submit annual performance reports to the Department. These reports detail the financial investment made by the utilities to execute energy efficiency programs, the estimated energy savings achieved, and the cost effectiveness of those savings from the societal, participant, ratepayer and utility perspectives.

The illustration below shows the trend in energy savings performance for both electric and natural gas utilities from 1997-2012. With only a few exceptions, overall utility energy savings performance has increased year-over-year. Performance increased significantly in 2010, which was when utilities became subject to the 1.5% energy efficiency savings goal that was required as part of the 2007 Next Generation Energy Act.

**Statewide Combined Electric and Gas Savings  
through the Conservation Improvement Program  
Minnesota, 1997-2012**



Data Source: Minnesota Department of Commerce  
Analysis: Collaborative Economics

Type of Measure	Name of Measure	Previous	Current	Dates
Quantity	Number of participating electric and natural gas utilities	~180	~180	Annually
Quality	Review of annual performance reports submitted by electric and natural gas utilities	~180	~180	Annually
Results	Energy savings achieved through implementation of the energy efficiency resource standard	Gas Utilities 2,761,702 Dth/yr  Electric Utilities 1,038 GWh/yr	Gas Utilities 2,893,256 Dth/yr  Electric Utilities 1,011 GWh/yr	2012 & 2013

Performance data will be collected through annual utility reports submitted to the Department via Energy Savings Platform. The performance data will be communicated through press releases, the annual CO2 report, the CIP newsletter, webinars, and various stakeholder advisory groups.

**Statutory Change(s):**

This change item would require a statutory change to Minn. Stat. §216b.241 Subdivision 1d Paragraphs (a) and (b).



## Department of Commerce

### FY18-19 Biennial Budget Change Item

#### Change Item Title: Sustainable Buildings

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Funds				
Expenditures	650	650	650	650
Revenues	650	650	650	650
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

#### Recommendation:

The Governor recommends \$650,000 in FY2018 and each year thereafter for the Guaranteed Energy Savings Program (GESP) to achieve better building efficiency in Minnesota's public buildings. This would be supported in the Special Revenue Fund by fee revenue that corresponds with this program.

#### Rationale/Background:

Operating and maintaining buildings involves the consumption of large amounts of energy. In 2011, Minnesota's residential and commercial sectors consumed 39.6% of the total energy consumed in the state - 21.3 % and 18.3% respectively (Energy Information Administration, State Energy Data Systems). The Department of Commerce is one of the lead agencies tasked with ramping up the state's climate change activities. GESP currently benefits cities, counties, schools and state agencies by lowering utility bills and operating costs. The energy savings achieved through energy conservation and efficiency provide a least cost resource to the state and help avoid the need to build additional generation, transmission and distribution which can increase utility bills. Finally, the greenhouse gas emissions reductions help mitigate negative impacts on the environment and consumer health.

Governor Dayton's [Executive Order 11-12](#) titled, "Providing for Job Creation through Energy Efficiency and Renewable Energy Programs for Minnesota's Public Buildings," established the Office of Guaranteed Energy Savings Program. GESP ensures that service companies are contractually obligated to deliver the estimated energy savings and use techniques such as metering, utility bill analysis, or engineering review to verify performance. This existing program is used to achieve significant energy savings and greenhouse gas emissions reductions, helping to meet Minnesota's energy goals while providing cost savings to participating entities.

Commerce provides technical, contractual and financial assistance to state agencies, local government units, school districts, and institutions of higher learning that elect to implement energy efficiency and renewable energy improvements through guaranteed energy savings contracts. Since GESP was created, 85 buildings with approximately 3.7 million square feet have achieved \$300,000 in utility bill and operational savings. The resulting energy savings is estimated at approximately 12.5 million kBtu.

#### Proposal:

The ongoing operations of GESP will continue to carry out Governor Dayton's Executive Order 11-12. The Office currently provides technical, contractual and financial assistance to state agencies, local government units, school districts, and institutions of higher learning that elect to implement energy efficiency and renewable energy improvements through guaranteed energy savings contracts. This program's intent is to maximize job creation and operational cost savings through investment in public facilities with the goal of reducing aggregate energy consumption by 20 percent throughout all state agencies. GESP is currently working with 6 state agencies, 7 MnSCU campuses and 17 local units of government including the White Earth Nation and the Leech Lake Band of Ojibwe.

The Department projects a minimum of eight projects over the next biennium, averaging 654,000 square feet and estimates a project cost of \$5 per square foot, charging a 2.5% fee totals the \$650,000 per year request. This proposal would allow the Department to continue to provide technical assistance and master contract work.

The Department will work closely with the Clean Energy Resource Teams (CERTs) and the Energy Service Coalition (ESC) Minnesota Chapter to promote the use of GESP throughout the State.

This proposal supports the Department's work advocating on behalf of the public interest in energy-related matters to ensure a clean, healthy environment with sustainable uses of natural resources.

### **IT Related Proposals:**

There is not an information technology component to this change item.

### **Results:**

#### **Guaranteed Energy Savings Program**

Current Impact:

- **Quantity:** There are an additional 202 building projects in the pipeline with an estimated \$24 million in projects that could result in energy savings and carbon emissions reductions. The savings are yet to be determined.
- **Quality:** Over 85 buildings with approximately 3.7 million square feet have achieved \$300,000 in utility bill and operational savings. The resulting energy savings are estimated at approximately 12.5 million kBtu.
- **Results:** Performance is monitored through measurement and verification practices such as metering, utility bill analysis or engineering review.

Potential Impact:

- **Quantity:** It is estimated that GESP could impact over 30 million square feet annually with a potential annual reduction of 4.1 million kBtu annually.
- **Quality:** The achieved potential could result in a reduction of \$53 million in utility bill costs. It is estimated that 527,000 tons of CO<sub>2</sub> could be avoided annually as a result of these energy savings (or the equivalent of taking 101,000 cars off the road for one year).
- **Results:** Performance will be monitored through measurement and verification practices such as metering, utility bill analysis or engineering review.

### **Statutory Change(s):**

This proposal will require a statutory change to the Guaranteed Energy Savings Program in Minn. Stat. §16C.

## Department of Commerce

### FY18-19 Biennial Budget Change Item

#### Change Item Title: Healthy Asbestos Insulation Remediation (Healthy AIR)

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	260	260	260	260
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	260	260	260	260
FTEs	0	0	0	0

#### Request:

The Governor recommends \$260,000 in FY 2018 and \$260,000 in FY 2019 and each year thereafter for the Healthy Asbestos Insulation Remediation (Healthy AIR) Program. This funding will support grants to low-income Minnesotans to remove vermiculite from their homes.

#### Rationale/Background:

The Commerce Department runs the Weatherization Assistance Program (WAP) that is largely funded through the federal Department of Energy. The WAP provides free home energy upgrades to income-eligible homeowners and renters to help save energy and make sure homes are healthy and safe to live in. Potential energy upgrades may include exterior wall and attic insulation, air leakage reduction, furnace, boiler or water repair or replacement and ideas to help you reduce your home's energy use, such as using a programmable thermostat.

In Program Year 2015, 1,427 units received weatherization services through the WAP program. In Program Year 2016, currently under way, Minnesota received \$9,157,907 to provide weatherization services.

The presence of vermiculite insulation in a home can require the deferral of services in WAP because federal funds cannot be used to remove the vermiculite insulation. Vermiculite insulation can contain asbestos, a known carcinogen. Vermiculite insulation is the cause of an ever growing number of homes that are denied WAP services. The cost of abatement is often-times too much for those that qualify for WAP. This deferral has caused a growing list, in some areas of the state up to 40%, of low-income households that are denied these energy savings services.

Addressing this unmet need will remove a known carcinogen from Minnesota homes and allow a group of low-income Minnesotans to receive services that are currently unavailable to them.

Department of Energy funds can be used for the testing of vermiculite and can be used for weatherization services once vermiculite is safely removed. However, funds are not allowed for remediation. Therefore, state funding is critical to providing weatherization services to these households.

This proposal supports the Department's work advocating for the public interest while ensuring a clean, healthy environment with sustainable uses of natural resources.

#### Proposal:

This new program would create a dedicated fund to remediate vermiculite insulation in the homes of low-income Minnesotans. This would allow households that were deferred from receiving the WAP services to become eligible. Grants would be made available throughout Minnesota to those that qualify for the WAP. The Commerce Department anticipates removing vermiculite insulation from 65 WAP eligible homes with the average grant award of \$4,000.

This program would use Asbestos Hazard Emergency Response Act certified professionals to remove vermiculite.

This program complements the Department's existing WAP program and would utilize the existing network of 25 local WAP service providers made up of 19 Community Action Agencies, 4 Native American Tribal Governments, 1 non-profit and 1 local unit of government, to identify eligible households and deliver the program statewide.

The program would require the development of programmatic guidance to detail appropriate uses of funds and reporting requirements.

This proposal is effective July 1, 2017.

**Equity and Inclusion:**

This program would only serve income eligible Minnesotans as determined by WAP or the Energy Assistance Program. Low-income families, more specifically, those most vulnerable to serious illness due to age or disability will be impacted by safely removing a known carcinogen from their home. This proposal will reduce health hazards, reduce energy usage and provide cost savings on monthly energy bills.

**IT Related Proposals:**

There is not an information technology component to this change item.

**Results:**

- **Quantity:** Number of households receiving grants to remove vermiculite.
- **Quality:** All households will receive an onsite inspection by a certified inspector.
- **Result:** With the removal of vermiculite, the number of households will be able to move forward with weatherization services. Performance data will be tracked using the existing WAP household database allowing the Department to track results.

**Statutory Change(s):**

This proposal does not require a statutory change.

## Department of Commerce

### FY18-19 Biennial Budget Change Item

#### Change Item Title: Weights and Measures Funding

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Funds				
Expenditures	286	286	286	286
Revenues	286	286	286	286
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

#### Recommendation:

The Governor recommends a fee increase of 10% on metrology fees and a 20% increase on all other fees including scales, petroleum lab fees and package checking in order to fund the replacement of critical Weights & Measures lab equipment.

The ongoing \$572,000 biennial increase in operational funding represents an 8.2% increase over the existing base, a crucial step towards long overdue budget stability.

#### Rationale/Background:

The Weights & Measures unit ensures equity, accuracy and quality in Minnesota's economy by providing precision Weight and physical measurement services to Minnesota businesses and individuals. Weights & Measures provides nationally accredited calibration services for products, materials and services. The Division also provides assurance to Minnesota consumers that goods or services purchased on a measured quantity (such as gasoline or food) are being accurately packaged, weighed and properly priced for sale.

Weights & Measures is funded through the Petroleum Inspection Fee. The Department of Revenue collects \$1 for every 1,000 gallons of petroleum products received in Minnesota and transfers \$0.89 to Weights & Measures to fund its operations. Weights & Measures staff conducts inspections of commercial scales, measuring devices and fuel meters on a scheduled basis; staff also responds immediately to consumer complaints or requests for immediate inspection in certain cases. This change item will go to help fund operations and replace some outdated lab equipment that is in dire need of replacement.

#### Proposal:

This proposal is an increase of 10% on metrology fees and a 20% increase on all other fees including scales, petroleum lab fees and package checking. The revenue from this increase will be deposited into the existing Weights & Measures Special Revenue Fund in order to fund the replacement of some critical Weights & Measures lab equipment. Lab equipment failure will result in the Weights & Measures Division no longer able to test petroleum products to ASTM standards and statutory requirements; test fuel samples supplied by Minnesota distributors; or provide metrological services.

This proposal supports the Commerce Departments work to ensure a thriving economy that encourages business growth and employment opportunities and delivery of efficient and accountable government services.

This change item is effective July 1, 2017.

#### IT Related Proposals:

This change item does not have an IT component.

**Results:**

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous FY2015</i>	<i>Current FY2016</i>
Quantity	Number of devices, audits and package lots checked	46,592	68,761
Results	Percent of devices, audits and package lots approved as found without need for any corrections	79.8%	80.7%
Results	Percent of devices, audits and package lots removed from marketplace	1.3%	3.2%
Results	Percent of devices, audits and package lots corrected because of W&M Inspections	19.0%	16.2%

The results of the new revenue raised from the fee increases will be tracked as follows:

Current revenue cannot replace critical laboratory equipment fast enough (even with the additional funding provided four years ago). Lab equipment failure could result in loss of functionality, recognition and accreditation, and could result in inability to meet statutory responsibilities to test fuel and provide metrological services:

- \$812K in lab equipment currently 20+ years old (typical life expectancy 7 – 12 years)
- \$278K 10-19 years old (or younger but with irreplaceable parts)

The success of the replacement of this equipment will be measured by the Weights & Measures Division being able to better serve the public have increased functionality, recognition and its ability to maintain its accreditation.

**Statutory Change(s):**

This proposal will require a statutory change to MINN. STAT. §239 Subd.2 in order to allow for the proceeds from fee increases to be deposited into the special revenue fund.

## Department of Commerce

### FY18-19 Biennial Budget Change Item

#### Change Item Title: Utility Grid Assessment Extension

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	\$500	\$500	\$500	\$500
Revenues	\$500	\$500	\$500	\$500
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	3	3	3	3

#### Request:

The Governor recommends removing the sunset for the Energy Planning and Systems assessment. This is an on-going proposal that will allow the Department to continue representing the interests of Minnesota residents, businesses, and governmental bodies before outside agencies that make, interpret, and implement energy policy that impacts Minnesota. This is a self-funding proposal.

#### Rationale/Background:

The Department assesses electric utilities to represent the interest of Minnesota residents, businesses and governments before bodies and agencies outside the state that make, interpret or implement regional, national and international energy policy and that regulate and implement regional or national energy planning or infrastructure development. This assessment expires June 30, 2017, however, the work is ongoing and expected to grow due to reduced capacity on the electric grid, the need to increase natural gas capacity and other matters related to reliable energy service.

#### Proposal:

Using this assessment authority, this initiative anticipates utilizing \$500K in annual funding for 3 FTE for ongoing regional and federal work on electricity and natural gas issues with:

- the Midcontinent Independent System Operator (MISO),
- the Midwest Reliability Organization (MRO, a transmission reliability organization),
- Federal Energy Regulatory Commission (FERC),
- the Midwest Renewable Energy Tracking System, and
- other regional and federal agencies as required (e.g. the Environmental Protection Agency)

This work includes:

- advocating on behalf of Minnesota interests (reliability, cost, use of various energy resources) in MISO's stakeholder meetings,
- ensuring adequate generation and other resources to serve Minnesota customers in integrated resource plans,
- using computer modeling for needed analyses in integrated resource plans,
- intervening with FERC on MISO petitions, and
- intervening in ongoing consumer complaints about high rates of return on equity on transmission resources

Without this assessment the Department would be unable to complete the technical analysis needed to ensure the reliability of the state's electric system.

This proposal is effective July 1, 2017.

**Equity and Inclusion:**

This proposal supports the Department's work advocating on behalf of the public interest in energy-related matters to ensure a clean, healthy environment with sustainable uses of natural resources.

**IT Related Proposals:**

There is not an information technology component to this change item.

**Results:**

This proposal will allow the Department to continue to complete the technical analysis and advocate on behalf of Minnesotans to ensure a reliable electric system.

**Statutory Change(s):**

This proposal requires a statutory change to Minn. Stat. 216B.62, subd. 3b.



**Program: Financial Institutions Division**

[mn.gov/commerce/industries/financial-institutions/](http://mn.gov/commerce/industries/financial-institutions/)

**AT A GLANCE**

- The Financial Institutions Division regulates state-chartered banks, state-chartered credit unions and non-depository institutions in Minnesota
- Minnesota has 250 state-chartered banks
- Minnesota has 78 state-chartered credit unions
- Minnesota has 4,138 licensed non-depository entities and individuals
- The Division works with other state-based and federal regulators to ensure the safety and solvency of Minnesota financial institutions.

**PURPOSE & CONTEXT**

The Financial Institutions Division licenses and regulates state-chartered institutions and entities that provide financial products and services. These include banks, trust companies, credit unions, certificate investment companies, thrift companies, consumer credit companies, debt management companies, debt settlement companies, mortgage companies, currency exchanges, payday lenders and money transmitters. The Division serves all Minnesota consumers and businesses that rely on these regulated businesses for financial products and services.

The Division performs on-site examinations that focus on various financial factors, including loan portfolios and overall asset quality. The Division's mission is to ensure a competitive market for a broad range of financial services, mitigating and resolving financial stress and insolvencies with minimal financial losses to citizens.

**SERVICES PROVIDED**

The Financial Institutions Division employs the following strategies to achieve success:

- Chartering and conducting on-site examinations at all state-chartered banks, trust companies, credit unions and certificate investment companies on a 12- to 24-month cycle
- Licensing and examining consumer credit companies with a focus on consumer compliance
- Licensing currency exchanges, payday lenders, money transmitters and debt management service providers
- Participating in the Nationwide Multistate Licensing System & Registry (NMLS), which screens and licenses persons who engage in mortgage origination
- Conducting on-site mortgage company examinations
- Conducting examinations jointly and sharing findings with the Federal Deposit Insurance Corporation, the Federal Reserve Bank, and the National Credit Union Administration
- Participating in joint multi-state examinations of interstate mortgage and money transmission companies
- Engaging in outreach activities to promote financial literacy among all Minnesotans and collaborating with state-chartered financial institutions to protect seniors and vulnerable adults from fraud

The Financial Institutions Division measures success by:

- Monitoring the financial health of Minnesota's state banks, credit unions, trust companies, mortgage companies, and the nation's only certificate investment company
- Conducting examinations of banks, credit unions, finance and mortgage companies
- Initiating corrective actions where appropriate
- Acting on various licensing and activities applications for the supervised enterprises in a timely manner and according to statutory requirements
- Maintaining accreditation (peer review quality control) with the Conference of State Bank Supervisors
- Minimizing the impact on Minnesotans in the event of a financial institution failure through timely and adequate intervention procedures
- Assisting the Legislature in updating state statute and regulations as needed

## RESULTS

<i><b>Type of Measure</b></i>	<i><b>Name of Measure</b></i>	<i><b>Previous</b></i>	<i><b>Current</b></i>	<i><b>Dates</b></i>
Results	Complete financial examinations for state-chartered banks and credit unions within the 12-24 month time frame	100%	100%	2015 and 2016
Quality	Act on company licensing applications and corporate amendment applications on a timely basis	60 days	60 days	2015 and 2016
Quantity	Limit troubled company market disruptions(1)	0	0	2015 and 2016
Quantity	Number of banks on the troubled bank monitoring list(2)	38	16	2015 and 2016
Results	Increase number of licensed programs types utilizing NMLS(3)	1	4	2015 and 2016

**Performance Measures Notes:**

1. In 2013 and 2014, Minnesota saw one failure each year of a state-chartered bank. In 2008 through 2014, 15 state-chartered banks failed. No apparent losses were incurred by Minnesota consumers in any of these cases.
2. As of 6/30/2016, the number of banks on the problem bank monitoring list is 16. That is down from a high of 111 for 2010.
3. This performance measure tracks the Division's progress towards achievement of a long-term goal to move all non-depository institutions to the same electronic licensing platform. Two more licensed program types will start using NMLS in late 2016 or early 2017.

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Statutory Authority: The Department's authority is located in Chapters: 46, 47, 48, 48A, 49, 50, 51A, 52, 53, 53A, 53B, 53C, 54, 55, 56, 58, 332, 332A, 332B, 334.

(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	4,401	4,355	4,722	5,011	4,865	4,865	(20)	(20)
2000 - Restrict Misc Special Revenue	0	0	0	0	0	0	6,075	6,715
<b>Total</b>	<b>4,401</b>	<b>4,355</b>	<b>4,722</b>	<b>5,011</b>	<b>4,865</b>	<b>4,865</b>	<b>6,055</b>	<b>6,695</b>
<i>Biennial Change</i>				977		(3)		3,017
<i>Biennial % Change</i>				11		0		31
<i>Governor's Change from Base</i>								3,020
<i>Governor's % Change from Base</i>								31

**Expenditures by Budget Activity**

Budget Activity: Financial Institutions	4,401	4,355	4,722	5,011	4,865	4,865	6,055	6,695
<b>Total</b>	<b>4,401</b>	<b>4,355</b>	<b>4,722</b>	<b>5,011</b>	<b>4,865</b>	<b>4,865</b>	<b>6,055</b>	<b>6,695</b>

**Expenditures by Category**

Compensation	3,658	3,514	3,909	4,343	4,343	4,343	5,225	5,825
Operating Expenses	720	819	813	666	520	520	820	860
Other Financial Transactions	24	21	0	2	2	2	10	10
Capital Outlay-Real Property	0	1	0	0	0	0	0	0
<b>Total</b>	<b>4,401</b>	<b>4,355</b>	<b>4,722</b>	<b>5,011</b>	<b>4,865</b>	<b>4,865</b>	<b>6,055</b>	<b>6,695</b>

**Full-Time Equivalents**

<b>44.3</b>	<b>40.3</b>	<b>45.3</b>	<b>45.3</b>	<b>45.3</b>	<b>45.3</b>	<b>50.3</b>	<b>55.3</b>
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**1000 - General**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Balance Forward In	0	467	0	144	0	0	0	0
Direct Appropriation	4,885	4,885	4,885	4,885	4,885	4,885	0	0
Net Transfers	(25)	(825)	(19)	(19)	(20)	(20)	(20)	(20)
Cancellations	0	172	0	0	0	0	0	0
<b>Expenditures</b>	<b>4,401</b>	<b>4,355</b>	<b>4,722</b>	<b>5,011</b>	<b>4,865</b>	<b>4,865</b>	<b>(20)</b>	<b>(20)</b>
Balance Forward Out	459	0	144	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				977		(3)		(9,773)
<i>Biennial % Change in Expenditures</i>				11		0		(100)
<i>Gov's Exp Change from Base</i>								(9,770)
<i>Gov's Exp % Change from Base</i>								(100)
Full-Time Equivalents	44.3	40.3	45.3	45.3	45.3	45.3	-6.2	-6.2

**2000 - Restrict Misc Special Revenue**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Receipts	0	0	0	0	0	0	6,075	6,715
<b>Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,075</b>	<b>6,715</b>
<i>Biennial Change in Expenditures</i>								12,790
<i>Gov's Exp Change from Base</i>								12,790
Full-Time Equivalents							56.5	61.5

**Program: Petroleum Tank Release Cleanup Fund (Petrofund)**

<http://www.mn.gov/commerce/industries/fuel/petrofund/>

**AT A GLANCE**

- **\$440 million:** Approximate number of reimbursements paid out to eligible applicants since 1987.
- **13,000:** Number of leak sites addressed Funding provided for corrective actions performed at approximately 13,000 leak sites since 1987.
- **Over 400:** Underground petroleum storage tanks removed from approximately 280 properties since 2004.

**PURPOSE & CONTEXT**

The Petroleum Tank Release Cleanup Fund (Petrofund) contributes to a cleaner environment and helps to prevent the pollution of Minnesota's soil and water by providing eligible applicants with reimbursement for a portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Last session, the Petrofund was renewed through 2022.

**SERVICES PROVIDED**

- Helps applicants with the costs to investigate and clean up contaminated soil and water from leaking petroleum storage tanks in the most cost-effective manner possible;
- Contracts for the removal of abandoned underground petroleum storage tanks;
- Recovers costs from responsible persons for investigation and cleanup work performed by the Minnesota Pollution Control Agency (MPCA) when the responsible persons are unwilling or unable to complete statutorily-required corrective actions;
- Passes through funds to the MPCA for administration of the Petroleum Remediation, Tank Compliance and Assistance, and Emergency Response programs, mainly to pay for state-financed investigation and cleanup projects where no viable responsible person is available; and
- Annually approves the use of funds by the Minnesota Department of Employment and Economic Development (DEED) for the administration of the Contamination Cleanup and Investigation Grant Program.

**RESULTS**

The Petrofund program's goal is to provide timely financial assistance to those who are cleaning up contaminated soil and water from leaking petroleum storage tanks, ultimately helping protect public health and welfare and the environment. The principal measure requires that initial applications be reviewed within 60 days of receipt and supplemental applications be reviewed within 120 days of receipt. Petrofund staff currently reviews applications within the 60-day and 120-day deadlines, as noted in the table below.

Another measure of the Petrofund's efforts to protect the health and safety of Minnesotans is the number of abandoned underground petroleum storage tanks that have been removed by the program, thereby eliminating existing and potential sources of contamination that would otherwise go unaddressed. Petrofund tracks a wide array of tank removal data, including the number of tanks removed, the amount of petroleum product/sludge/contaminated water removed from the tanks, the number of petroleum releases reported to the MPCA, and project cost information. The program removed all eligible tanks identified in the past fiscal year.

To help ensure a level playing field for the state's petroleum storage tank owners, Petrofund recovers costs from responsible persons for investigation and cleanup work performed by the MPCA when the responsible persons are unwilling or unable to complete statutorily-required corrective actions. Petrofund's typical recovery amounts to 10 percent of the total corrective action costs, which is the responsible person's share under MINN. STAT. §115C. If necessary, costs are referred to Minnesota Collection Enterprises at the Minnesota Department of Revenue. Petrofund staff reviewed 82 cost recovery cases in the past fiscal year.

<b><i>Type of Measure</i></b>	<b><i>Name of Measure</i></b>	<b><i>Previous</i></b>	<b><i>Current</i></b>	<b><i>Dates</i></b>
Quality	Review of reimbursement applications within 60- and 120-day statutory deadlines.	All applications within 20 days	All applications within 16 days	2015 and 2016
Quantity	Removal of abandoned underground petroleum storage tanks.	40 tanks 26 sites	13 tanks 11 sites	2015 and 2016
Quantity	Recovery of corrective action costs	\$137,090.60	\$128,346.46	2015 and 2016

Performance Measure Notes:

1. When a Petrofund applicant incurs costs, they can either submit all costs in one application or request reimbursement in multiple applications. Initial applications must be reviewed within 60 days. All subsequent applications must be reviewed within 120 days.
2. The application review data compares the application queue as of July 2015 (previous) and July 2016 (current). The application queue is mainly driven by the number of reimbursement applications received.
3. The abandoned tank removal data compares the number of tanks removed in Fiscal Year 2015 (previous) to the number removed in Fiscal Year 2016 (current). The number of tanks removed is contingent on the number of applications received and the staff resources available to manage the tank removal projects.
4. The cost recovery data compares the amount of money recovered in Fiscal Year 2015 (previous) to the amount recovered in Fiscal Year 2016 (current).

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Statutory Authority: The Petrofund program's legal authority is found in Chapter 115C.

**Expenditures By Fund**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
2350 - Petroleum Tank Release Cleanup	4,769	5,176	5,996	10,537	10,537	10,537	10,549	10,558
<b>Total</b>	<b>4,769</b>	<b>5,176</b>	<b>5,996</b>	<b>10,537</b>	<b>10,537</b>	<b>10,537</b>	<b>10,549</b>	<b>10,558</b>
Biennial Change				6,588		4,541		4,574
Biennial % Change				66		27		28
Governor's Change from Base								33
Governor's % Change from Base								0

**Expenditures by Budget Activity**

Budget Activity: Petroleum Tank Cleanup Fund	4,769	5,176	5,996	10,537	10,537	10,537	10,549	10,558
<b>Total</b>	<b>4,769</b>	<b>5,176</b>	<b>5,996</b>	<b>10,537</b>	<b>10,537</b>	<b>10,537</b>	<b>10,549</b>	<b>10,558</b>

**Expenditures by Category**

Compensation	578	628	649	710	710	710	722	731
Operating Expenses	4,189	4,547	5,347	9,822	9,822	9,822	9,822	9,822
Other Financial Transactions	3	0	0	5	5	5	5	5
Capital Outlay-Real Property	0	0	0	0	0	0	0	0
<b>Total</b>	<b>4,769</b>	<b>5,176</b>	<b>5,996</b>	<b>10,537</b>	<b>10,537</b>	<b>10,537</b>	<b>10,549</b>	<b>10,558</b>
Total Agency Expenditures	4,769	5,176	5,996	10,537	10,537	10,537	10,549	10,558
Internal Billing Expenditures	69	89	102	100	100	100	100	100
<b>Expenditures Less Internal Billing</b>	<b>4,700</b>	<b>5,086</b>	<b>5,894</b>	<b>10,437</b>	<b>10,437</b>	<b>10,437</b>	<b>10,449</b>	<b>10,458</b>

**Full-Time Equivalents**

	6.9	6.7	6.9	6.9	6.9	6.9	6.9	6.9
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**2350 - Petroleum Tank Release Cleanup**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	0	324	0	190	190	0	190	0
Direct Appropriation	1,052	1,052	1,052	1,052	1,052	1,052	1,064	1,073
Open Appropriation	9,522	9,146	11,271	15,585	16,485	16,485	16,485	16,485
Net Transfers	(5,481)	(4,770)	(6,137)	(6,100)	(7,000)	(7,000)	(7,000)	(7,000)
Cancellations	0	576	0	0	190	0	190	0
<b>Expenditures</b>	<b>4,769</b>	<b>5,176</b>	<b>5,996</b>	<b>10,537</b>	<b>10,537</b>	<b>10,537</b>	<b>10,549</b>	<b>10,558</b>
Balance Forward Out	323	0	190	190	0	0	0	0
<i>Biennial Change in Expenditures</i>				6,588		4,541		4,574
<i>Biennial % Change in Expenditures</i>				66		27		28
<i>Gov's Exp Change from Base</i>								33
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	6.9	6.7	6.9	6.9	6.9	6.9	6.9	6.9



**Program: Administrative Services**

[www.mn.gov/commerce](http://www.mn.gov/commerce)

**AT A GLANCE**

- 212,829: The total number of currently active licenses issued by the Commerce Department's Licensing Unit to individual Minnesotans and businesses
- 27,856: Total number of calls the Consumer Services Center handled from January through July 2016
- 99.7%: Percentage of invoices processed by Financial Services within 30 days
- \$695.4 Million: Amount of Unclaimed Property safeguarded by the state belonging to Minnesota residents and businesses available for claim by rightful owners
- 16,927: Unclaimed Property claims paid in FY16 within 48 hours
- 30,412: Total claims processed by Unclaimed Property unit in FY16, an all-time record
- \$49,287,000: Total amount of property returned in FY16 by Unclaimed Property Unit, an all-time record.

**PURPOSE & CONTEXT**

Administrative Services supports Commerce Department core functions, including assisting consumers through a robust regulatory system to promote economic and business growth.

Administrative Services is made up of the following: Consumer Services Center, Licensing, Unclaimed Property, Government Affairs, Financial Services and Human Resources.

Consumer Services, Licensing, Unclaimed Property and Government Affairs serve hundreds of Minnesotans on a daily basis. These units support the Commerce Department's overall mission by serving as an information resource and advocate for consumers while directly facilitating business development in the state.

In addition, central management functions provided by Financial Services and Human Resources ensure compliance with statewide requirements and continuity of department operations.

**SERVICES PROVIDED**

**Consumer Services Center (CSC)**

- Serves as the "front door" to the agency answering consumer inquiries, responding to complaints and providing emergency assistance during natural disasters
- Assists compliance with laws, if violations of law have occurred, and helps protect consumer rights in response to consumer complaints

**Licensing**

- Administers application and renewal programs for 15 different professional licenses to individuals and businesses across the insurance, real estate, collection agency and bullion coin dealer industries
- Approves applications for pre-license and continuing education courses, maintains experience requirement standards and works with regulated entities to clarify statutory requirements and applicable policies

**Unclaimed Property**

- Safeguards abandoned property in perpetuity while processing claims to reunite properties with rightful owners
- Takes in unclaimed property from companies (or "holders") with a statutory obligation to report and remit property to the state once the property owner has not been located after a specific period of time

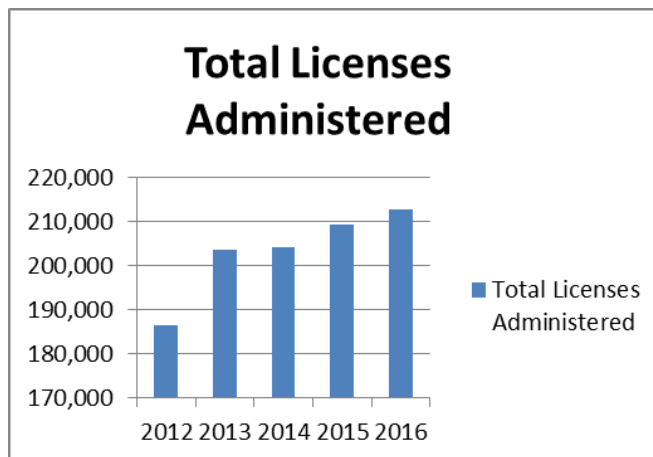
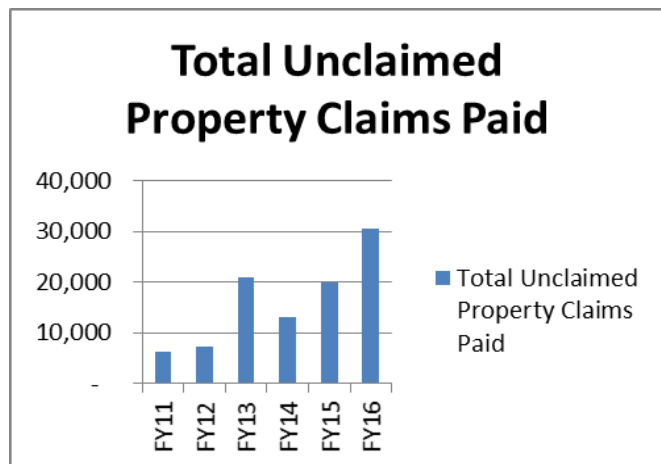
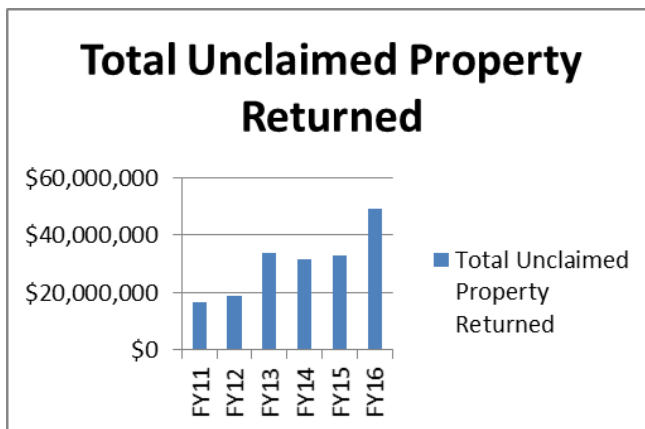
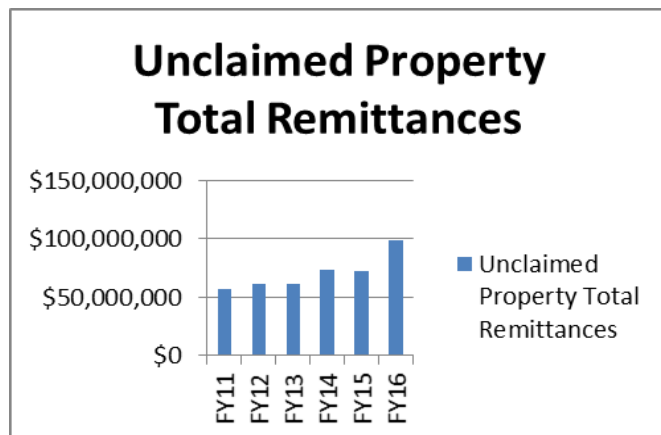
## Government Affairs

- Leads policy development and advocacy for the agency
- Oversees constituent services for consumers who contact the agency via elected officials

## Financial Services and Human Resources

- Manages day-to-day office, financial and human resources operations
- Provides information management services and technical support including data processing, budget implementation, payroll and facilities management

## RESULTS



Statutory Authority: While many of the categories of licensure administered by the division have their own statutory citations, the broad authority to license is granted to the Commerce Department under MINN. STAT. §45. Unclaimed Property authority is found in MINN. STAT. §345

(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	6,497	6,662	6,464	8,049	7,386	7,386	8,741	9,448
2000 - Restrict Misc Special Revenue	1,773	1,248	1,754	1,955	1,985	1,628	1,985	1,628
<b>Total</b>	<b>8,270</b>	<b>7,910</b>	<b>8,218</b>	<b>10,004</b>	<b>9,371</b>	<b>9,014</b>	<b>10,726</b>	<b>11,076</b>
Biennial Change				2,042		163		3,580
Biennial % Change				13		1		20
Governor's Change from Base								3,417
Governor's % Change from Base								19

**Expenditures by Budget Activity**

Budget Activity: Administrative Services-Commerce	8,270	7,910	8,218	10,004	9,371	9,014	10,726	11,076
<b>Total</b>	<b>8,270</b>	<b>7,910</b>	<b>8,218</b>	<b>10,004</b>	<b>9,371</b>	<b>9,014</b>	<b>10,726</b>	<b>11,076</b>

**Expenditures by Category**

Compensation	6,532	6,166	5,858	7,010	6,694	6,337	7,454	7,804
Operating Expenses	1,697	1,730	2,338	2,986	2,669	2,669	3,264	3,264
Other Financial Transactions	41	13	2	8	8	8	8	8
Capital Outlay-Real Property	0	1	20	0	0	0	0	0
<b>Total</b>	<b>8,270</b>	<b>7,910</b>	<b>8,218</b>	<b>10,004</b>	<b>9,371</b>	<b>9,014</b>	<b>10,726</b>	<b>11,076</b>

**Full-Time Equivalents**

	79.7	77.6	69.6	69.6	69.6	64.9	69.6	64.9
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**1000 - General**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	0	125	0	665	0	0	0	0
Direct Appropriation	6,615	6,615	7,222	7,386	7,386	7,386	8,741	9,448
Net Transfers	(5)	0	(93)	(1)	0	0	0	0
Cancellations	0	78	0	1	0	0	0	0
<b>Expenditures</b>	<b>6,497</b>	<b>6,662</b>	<b>6,464</b>	<b>8,049</b>	<b>7,386</b>	<b>7,386</b>	<b>8,741</b>	<b>9,448</b>
Balance Forward Out	113	0	665	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				1,354		259		3,676
<i>Biennial % Change in Expenditures</i>				10		2		25
<i>Gov's Exp Change from Base</i>								3,417
<i>Gov's Exp % Change from Base</i>								23
Full-Time Equivalents	60.8	57.7	50.9	50.9	50.9	50.9	50.9	50.9

**2000 - Restrict Misc Special Revenue**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	3,019	2,237	2,099	1,818	1,113	378	1,113	378
Receipts	992	1,110	1,473	1,250	1,250	1,250	1,250	1,250
Internal Billing Receipts	992	1,110	1,473	1,250	1,250	1,250	1,250	1,250
<b>Expenditures</b>	<b>1,773</b>	<b>1,248</b>	<b>1,754</b>	<b>1,955</b>	<b>1,985</b>	<b>1,628</b>	<b>1,985</b>	<b>1,628</b>
Balance Forward Out	2,237	2,099	1,818	1,113	378	0	378	0
<i>Biennial Change in Expenditures</i>				687		(96)		(96)
<i>Biennial % Change in Expenditures</i>				23		(3)		(3)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	18.9	20.0	18.7	18.7	18.7	14.0	18.7	14.0

**Program: Enforcement Division**

[mn.gov/commerce/consumers/file-a-complaint/](http://mn.gov/commerce/consumers/file-a-complaint/)

**AT A GLANCE**

- In calendar year 2015, the Enforcement Division:
  - \$5.4 million: Recovered through enforcement actions
  - 519: Number of enforcement actions
  - \$5,680,338: Assessed in civil penalties
  - Issued 25 Auto Theft Prevention grants to local law enforcement partners, county attorney offices and others totaling \$1,785,000
  - 2,061: Reports received of suspected insurance fraud (a 123% increase since 2008)
  - 39: Examinations of investment advisers registered and located in Minnesota, which represents a 49% increase since the exam program was developed in 2013 in Dodd-Frank Act

**PURPOSE & CONTEXT**

The mission of the Commerce Department's Enforcement Division is to protect consumers against unfair, deceptive or fraudulent practices; ensure successful businesses, job creation and economic opportunities; and maintain fair and consistent regulation in the marketplace.

The Enforcement Division engages in consumer protection and assists consumers to resolve issues with regulated entities. Enforcement staff perform audits and examinations of insurance and securities businesses operating in Minnesota and coordinates with local law enforcement, county prosecutors and the US Attorney's Office to take civil and/or criminal actions against individuals or entities violating Minnesota laws. The Division also provides public education and outreach to facilitate financial literacy and capability amongst all Minnesotans, particularly seniors.

The Enforcement Division is structured into three businesses units: Civil Investigations (including Market Conduct Examinations), the Commerce Fraud Bureau (conducts criminal investigations with licensed peace officers), and Securities.

**SERVICES PROVIDED****Civil Investigations & Market Conduct**

- Safeguard Minnesota consumers' rights and investments
- Conduct civil investigations, audits and market conduct examinations to determine whether any law under the department's jurisdiction has been violated, while providing due process during the resolution of any violations
- Regulate business activity to ensure compliance, responsible business conduct and a fair and consistent regulatory environment for both businesses and consumers
- Engage in outreach activities to inform, educate and get feedback from stakeholders
- Undertake regulation of the bullion coin industry which was added to Commerce's list of regulated industries in 2014

**Commerce Fraud Bureau**

- Undertake criminal investigations related to insurance fraud and all related activities
- Review notices and reports of insurance fraud submitted by authorized insurers, their employees, and agents or producers, as well as notifications or complaints of suspected insurance fraud generated by other law enforcement agencies, state or federal government units or any other person
- Administers the Auto Theft Prevention Account and grant program which partners with local law enforcement to reduce the incidence of auto theft across Minnesota
  - The Auto Theft Prevention grant program has helped to reduce the number of reported automobile thefts in Minnesota which declined from 7,601 in 2014 to 7,348 in 2015.

## Securities

- Safeguard investors' and consumers' rights with respect to securities products, investments, franchises, and subdivided land
- Regulate and register business activity to ensure compliance, responsible business conduct and practices, and ensuring a fair and consistent regulatory environment
- Advocate for, and provide assistance to, investors and consumers through consumer complaint resolution and public education and outreach
- Work with other state, federal and self-regulatory bodies that share regulatory authority over the securities area

## RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Investigations Initiated	2,286	2,780	2014 and 2015
Quantity	Market Conduct Examinations	26	33	2014 and 2015
Results	Administrative Actions Taken	547	519	2014 and 2015
Quantity	Investment Advisor Representative Registrations*	10,107	10,639	2014 and 2015
Quantity	Broker-Dealer Agent Registrations *	133,496	140,242	2014 and 2015
Quantity	Investment Advisors with a principal office in Minnesota Registrations**	264	274	2014 and 2015

The Results above are for Calendar Years 2014 and 2015.

\* Minnesota began registering investment advisor representatives in 2013. In addition to investment advisors, the Enforcement Division also registers broker dealers, agents, franchises and timeshares.

\*\* As a result of the "IA Switch" following implementation of the Dodd-Frank Act, the Department became the sole regulator of investment advisers based in Minnesota with assets under management of \$100 million or less. The number of investment advisers registered and located in Minnesota has generally increased since the IA Switch. The implementation of the U.S. Department of Labor's "Fiduciary Rule" (which will become effective in April 2017) is likely to further increase the number of state-registered investment advisers as small broker-dealers adjust their business practices to comply with the rule.

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Statutory Authority: MINN. STAT. §45.027 and 60A.03 provide the legal authority for the Enforcement Division's civil investigations and market conduct examinations. MINN. STAT. §45.0135 provides the legal authority for the Commerce Fraud Bureau and 65B.84 provides the legal authority for the Auto Theft Prevention Program. MINN. STAT. §80A provides the legal authority for the Securities 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	3,663	4,693	4,557	5,215	4,886	4,886	5,371	5,371
2000 - Restrict Misc Special Revenue	5,916	5,927	7,138	9,684	6,991	6,697	8,352	8,058
2830 - Workers Compensation	194	202	196	200	198	198	198	198
6000 - Miscellaneous Agency	77	51	128	249	215	215	215	215
<b>Total</b>	<b>9,851</b>	<b>10,873</b>	<b>12,019</b>	<b>15,348</b>	<b>12,290</b>	<b>11,996</b>	<b>14,136</b>	<b>13,842</b>
Biennial Change				6,644		(3,082)		610
Biennial % Change				32		(11)		2
Governor's Change from Base								3,692
Governor's % Change from Base								15

**Expenditures by Budget Activity**

Budget Activity: Enforcement - Commerce	9,851	10,873	12,019	15,348	12,290	11,996	14,136	13,842
<b>Total</b>	<b>9,851</b>	<b>10,873</b>	<b>12,019</b>	<b>15,348</b>	<b>12,290</b>	<b>11,996</b>	<b>14,136</b>	<b>13,842</b>

**Expenditures by Category**

Compensation	4,716	5,591	5,985	6,709	6,552	6,552	8,098	8,098
Operating Expenses	3,034	3,229	4,020	5,907	2,981	2,687	3,206	2,912
Other Financial Transactions	33	22	4	2	2	2	77	77
Grants, Aids and Subsidies	2,066	2,029	2,001	2,725	2,750	2,750	2,750	2,750
Capital Outlay-Real Property	2	2	10	5	5	5	5	5
<b>Total</b>	<b>9,851</b>	<b>10,873</b>	<b>12,019</b>	<b>15,348</b>	<b>12,290</b>	<b>11,996</b>	<b>14,136</b>	<b>13,842</b>
Total Agency Expenditures	9,851	10,873	12,019	15,348	12,290	11,996	14,136	13,842
Internal Billing Expenditures	193	213	252	184	184	184	184	184
<b>Expenditures Less Internal Billing</b>	<b>9,657</b>	<b>10,660</b>	<b>11,767</b>	<b>15,164</b>	<b>12,106</b>	<b>11,812</b>	<b>13,952</b>	<b>13,658</b>

**Full-Time Equivalents**

	54.3	60.0	62.6	63.4	63.4	63.4	71.4	71.4
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**1000 - General**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	0	616	0	329	0	0	0	0
Direct Appropriation	4,276	4,622	4,901	4,901	4,901	4,901	5,386	5,386
Net Transfers	(10)	(491)	(14)	(15)	(15)	(15)	(15)	(15)
Cancellations	0	54	0	0	0	0	0	0
<b>Expenditures</b>	<b>3,663</b>	<b>4,693</b>	<b>4,557</b>	<b>5,215</b>	<b>4,886</b>	<b>4,886</b>	<b>5,371</b>	<b>5,371</b>
Balance Forward Out	603	0	329	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				1,416		(1)		969
<i>Biennial % Change in Expenditures</i>				17		0		10
<i>Gov's Exp Change from Base</i>								970
<i>Gov's Exp % Change from Base</i>								10
Full-Time Equivalents	39.0	44.7	45.7	46.5	46.5	46.5	50.5	50.5

**2000 - Restrict Misc Special Revenue**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	8,617	9,937	10,348	9,246	5,036	3,536	5,036	3,536
Receipts	8,150	7,591	7,336	6,773	6,791	6,791	8,152	8,152
Net Transfers	(1,300)	(1,300)	(1,300)	(1,300)	(1,300)	(1,300)	(1,300)	(1,300)
<b>Expenditures</b>	<b>5,916</b>	<b>5,927</b>	<b>7,138</b>	<b>9,684</b>	<b>6,991</b>	<b>6,697</b>	<b>8,352</b>	<b>8,058</b>
Balance Forward Out	9,551	10,301	9,246	5,036	3,536	2,330	3,536	2,330
<i>Biennial Change in Expenditures</i>				4,979		(3,134)		(412)
<i>Biennial % Change in Expenditures</i>				42		(19)		(2)
<i>Gov's Exp Change from Base</i>								2,722
<i>Gov's Exp % Change from Base</i>								20
Full-Time Equivalents	13.4	13.6	15.0	15.0	15.0	15.0	19.0	19.0

**2830 - Workers Compensation**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	0	4	0	2	0	0	0	0
Direct Appropriation	198	198	198	198	198	198	198	198
<b>Expenditures</b>	<b>194</b>	<b>202</b>	<b>196</b>	<b>200</b>	<b>198</b>	<b>198</b>	<b>198</b>	<b>198</b>
Balance Forward Out	4	0	2	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				0		0		0
<i>Biennial % Change in Expenditures</i>				0		0		0



**2830 - Workers Compensation**

Gov's Exp Change from Base							0
Gov's Exp % Change from Base							0
Full-Time Equivalents	1.9	1.7	2.0	2.0	2.0	2.0	2.0

**6000 - Miscellaneous Agency**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Balance Forward In	35	14	134	52	0	0	0	0
Receipts	56	171	46	197	215	215	215	215
<b>Expenditures</b>	<b>77</b>	<b>51</b>	<b>128</b>	<b>249</b>	<b>215</b>	<b>215</b>	<b>215</b>	<b>215</b>
Balance Forward Out	14	134	52	0	0	0	0	0
Biennial Change in Expenditures				248		53		53
Biennial % Change in Expenditures				193		14		14
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

**Program: Telecommunications**

[mn.gov/commerce/industries/telecom/](http://mn.gov/commerce/industries/telecom/)

**AT A GLANCE**

- **97.9%:** Percentage of all homes in the state that have telecommunications services available, including reliable and vital 911 services. This includes those Minnesotans with hearing, speech and physical disabilities.
- **724:** Opened cases in 2015
- **642:** Number of new Telephone Equipment Distribution Program participants in 2015

**PURPOSE & CONTEXT**

The Telecommunications Unit serves the public as a state regulator of the telecommunications industry. The unit reviews filings made with the Public Utilities Commission (PUC) by telecommunications companies in compliance with state statutes, PUC orders, and state and federal regulations. It investigates complaints from the public, local governments and telecommunications companies about illegal, unfair, or anti-competitive practices and takes action to enforce state and federal statutes and regulations.

The unit also administers the Telecommunications Access Minnesota (TAM) program, which delivers free services to persons with hearing, speech, or physical disabilities through the Minnesota Relay, and also funds the provision of specialized telecommunications equipment through the Telephone Equipment Distribution (TED) Program.

Most of the functions of the unit are fully assessed to and paid by the telecommunications providers, based on their gross Minnesota jurisdictional revenues. TAM programs are funded by a surcharge on all wired and wireless telephone access lines and a fee on each retail transaction for prepaid wireless telecommunications services in Minnesota.

**SERVICES PROVIDED**

- Advocating on behalf of the public interest for statewide telecommunications policies that promote a high quality, affordable telecommunications network in Minnesota
- Enforcing Minnesota and Federal laws and rules of the Minnesota Public Utilities Commission and the Federal Communications Commission
- Investigating company filings and telecommunications matters for compliance with Minnesota requirements
- Administrative review of licensing requests, service quality, pricing of services, and the competitive practices of incumbent and competitive telecommunications companies

**RESULTS**

The Telecommunications Unit measures success by the extent to which all Minnesota citizens have access to high-quality, affordable telecommunications services, and by the ability of the Unit to carry out its statutory duties to the PUC and the legislature. The impact of the unit's activities is reflected in the fact that 97.9% of all homes in the state have telecommunications services available, including reliable and vital 911 services. This includes those Minnesotans with hearing, speech, and physical disabilities. The unit has consistently and thoroughly implemented and enforced state and federal statutes and rules in a way that is efficient and fair to all parties.

<b><i>Type of Measure</i></b>	<b><i>Name of Measure</i></b>	<b><i>Previous</i></b>	<b><i>Current</i></b>	<b><i>Dates</i></b>
Quality	Telecommunications Penetration	98.1%	97.9%	2013 and 2014
Quantity	Number of cases opened*	719	724	2014 and 2015
Quantity	Number of new Telephone Equipment Distribution Program participants	763	642	2014 and 2015
Quantity	Number of Minnesota Relay conversation minutes used	1,466,201	1,209,915	2014 and 2015

\*Number of cases opened does not reflect the complexity of the issues and the amount of staff time required.

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Statutory Authority: The Department's authority to regulate telecommunications providers is located in Chapter 237.

**Expenditures By Fund**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	882	843	907	1,109	1,008	1,008	1,008	1,008
2000 - Restrict Misc Special Revenue	4,174	4,006	3,788	4,305	4,297	4,297	4,297	4,297
<b>Total</b>	<b>5,056</b>	<b>4,850</b>	<b>4,695</b>	<b>5,414</b>	<b>5,305</b>	<b>5,305</b>	<b>5,305</b>	<b>5,305</b>
Biennial Change				203		501		501
Biennial % Change				2		5		5
Governor's Change from Base								0
Governor's % Change from Base								0

**Expenditures by Budget Activity**

Budget Activity: Telecommunications	5,056	4,850	4,695	5,414	5,305	5,305	5,305	5,305
<b>Total</b>	<b>5,056</b>	<b>4,850</b>	<b>4,695</b>	<b>5,414</b>	<b>5,305</b>	<b>5,305</b>	<b>5,305</b>	<b>5,305</b>

**Expenditures by Category**

Compensation	809	780	782	961	859	859	859	859
Operating Expenses	4,243	4,069	3,912	4,452	4,445	4,445	4,445	4,445
Other Financial Transactions	4	0	0	1	1	1	1	1
Capital Outlay-Real Property	0	0	0	0	0	0	0	0
<b>Total</b>	<b>5,056</b>	<b>4,850</b>	<b>4,695</b>	<b>5,414</b>	<b>5,305</b>	<b>5,305</b>	<b>5,305</b>	<b>5,305</b>
Total Agency Expenditures	5,056	4,850	4,695	5,414	5,305	5,305	5,305	5,305
Internal Billing Expenditures	10	14	14	14	14	14	14	14
<b>Expenditures Less Internal Billing</b>	<b>5,047</b>	<b>4,836</b>	<b>4,681</b>	<b>5,400</b>	<b>5,291</b>	<b>5,291</b>	<b>5,291</b>	<b>5,291</b>

**Full-Time Equivalents**

	7.9	7.2	7.6	8.1	8.1	8.1	8.1	8.1
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**1000 - General**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	0	129	0	101	0	0	0	0
Direct Appropriation	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009
Net Transfers	0	(125)	(1)	(2)	(1)	(1)	(1)	(1)
Cancellations	0	169	0	0	0	0	0	0
<b>Expenditures</b>	<b>882</b>	<b>843</b>	<b>907</b>	<b>1,109</b>	<b>1,008</b>	<b>1,008</b>	<b>1,008</b>	<b>1,008</b>
Balance Forward Out	127	0	101	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				291		1		1
<i>Biennial % Change in Expenditures</i>				17		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	6.9	6.1	6.5	7.0	7.0	7.0	7.0	7.0

**2000 - Restrict Misc Special Revenue**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	2,330	1,891	2,269	3,177	3,240	3,310	3,240	3,310
Receipts	4,675	5,602	5,936	5,607	5,607	5,607	5,607	5,607
Net Transfers	(940)	(1,240)	(1,240)	(1,240)	(1,240)	(1,240)	(1,240)	(1,240)
<b>Expenditures</b>	<b>4,174</b>	<b>4,006</b>	<b>3,788</b>	<b>4,305</b>	<b>4,297</b>	<b>4,297</b>	<b>4,297</b>	<b>4,297</b>
Balance Forward Out	1,891	2,246	3,177	3,240	3,310	3,380	3,310	3,380
<i>Biennial Change in Expenditures</i>				(88)		501		501
<i>Biennial % Change in Expenditures</i>				(1)		6		6
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1

## Program: Division of Energy Resources (DER)

[mn.gov/commerce/industries/energy/](http://mn.gov/commerce/industries/energy/)

## AT A GLANCE

- **\$900 million:** Utility ratepayer savings advocated before the Public Utilities Commission
- **\$113 million:** Low-Income Home Energy Assistance Program (LIHEAP) funds serving approximately 340,000 Minnesotans
- **500,000 Minnesotans:** Received energy-related information through phone, email, web visits, brochures and the Energy Home State Fair exhibit
- **180:** Electric and natural gas utility Conservation Improvement Plans (CIP) reviewed and approved resulting in over 1.8 million megawatt-hours (MWh) and 6.6 million thousand cubic feet saved in 2014 and 2015
- **14:** Projects that underwent environmental review and technical support to the Public Utilities Commission, including three solar energy plants, four pipeline projects and seven high-voltage transmission lines

## PURPOSE &amp; CONTEXT

The Division of Energy Resources (DER) provides energy-related services to Minnesotans by:

- Advocating on behalf of the public interest in regulated utility matters
- Administering Minnesota's Low-Income Home Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP)
- Assisting viable new energy technologies to enter the commercial market
- Providing public sector energy efficiency and renewable energy assistance
- Overseeing utilities' Conservation Improvement Programs (CIP)
- Providing technical support for Public Utilities Commission (PUC) siting and permitting of large energy facilities
- Analyzing the human and environmental impacts of energy development

- Providing compliance overview for all permits through construction and ongoing review of operating wind facilities and solar plants
- Distributing information to individual energy users on actions they can take to reduce energy usage

## SERVICES PROVIDED

The Division of Energy Resources provides the following services to support Minnesota's energy consumers and the environment:

- Ensure energy service is reliable and regulated energy services are reasonably priced through continued investigation of utility rate and resource proposals, in advocacy before the Public Utilities Commission, and collaboration with federal and regional transmission participants in advocating for the public interest before the Federal Energy Regulatory Commission
- Provide technical resources to ensure energy efficiency and renewable energy projects are cost efficient and soundly engineered for consumers, local units of government, state agencies and trade allies
- Pursue public-private partnerships with capital markets participants to deploy new clean energy technologies and bring new venture capital opportunities for Minnesota's businesses
- Continue to work with utilities to meet or surpass Conservation Improvement Program (CIP) goals while expanding work to make all public buildings more energy efficient through programs such as Buildings, Benchmarks and Beyond (B3) and Sustainable Building 2030.
- Ensure that utilities continue to meet or surpass Renewable Energy Standard and Solar Energy Standard targets.
- Develop additional programs to encourage solar/wind installations and increased biofuel use.
- Administer state agency and local unit of government technical assistance to implement energy efficiency and conservation projects while helping secure financing and incentives to ensure project viability
- Provide technical resources for energy policy planning relating to greenhouse gas emissions reductions and carbon emissions reductions

- Administer the Low-Income Home Energy Assistance Program (LIHEAP) to help Minnesotans heat and cool their homes and the Weatherization Assistance Program (WAP) to enable Minnesotans to reduce their energy bills by making their homes more energy efficient
- Monitor fuel supplier end prices to ensure adequate and affordable energy
- Review environmental impacts for large energy facility permits and analyze issues of human and environmental impact pertaining to energy development

## RESULTS

The work of the Division of Energy Resources encompasses many facets of energy. There are a number of performance measures that can be tracked that reflect the success of the various services provided:

<b>Type of Measure</b>	<b>Name of Measure</b>	<b>Previous</b>	<b>Current</b>	<b>Dates</b>
Quantity	Advocacy for public interest in PUC energy filings	345	387	2014 and 2016
Results	Meet or surpass energy savings goals in CIP (Natural Gas/Electric percentages)	Electric Utility Savings: 1.7% Natural Gas Utility Savings: 1.0%	Electric Utility Savings: 1.7% Natural Gas Utility Savings: 1.1%	2014 and 2015
Results	Meet or surpass Renewable Energy Standard of 25% of energy comes from renewable sources by 2025**	Xcel Energy: 18% Other electric utilities: 12%	Xcel Energy: 18% Other electric utilities: 12%	2013 and 2015
Results	100% of wind projects in compliance with permit conditions	19%	80%	2015 and 2016
Quantity	Number of households served by low-income heating and weatherization programs	138,800	132,900	Federal FY2015 and Federal FY2016
Quantity	Environmental review and technical support for utility-scale solar generation facility permits issued by the Public Utilities Commission	0	3	2015 and 2016
Results	Contribution to Xcel Energy's obligation under the "Solar Energy Standard" to obtain 1.5% (300 MW) of its retail electricity sales from solar energy by 2020	0	262.25 MW	2014 and 2016

\* (Energy savings goal is outlined in Minn. Stat. § 216B.241, subd. 1c.)

\*\* (Minn. Stat. § 216B.1691 requires Xcel to meet the higher goal; the lower is for all other utilities)

Statutory authority for activities:

Reasonable energy rates: Minn. Stat. § 216B.03

Reliable energy service: Minn. Stat. § 216B.04

Conservation Improvement Program: Minn. Stat. § 216B.241 and § 216B.2411

Renewable Energy Standard: Minn. Stat. § 216B.1691

Low Income Weatherization Assistance Program: Minn. Stat. § 216C.264

Minnesota Business First Stop: Minn. Stat. § 116J.035, subd. 8  
 Large energy facility permitting: Minn. Stat. § 216E (Electric Power Facility Permitting); Minn. Stat. § 216F (Wind Energy Conversion Systems); Minn. Stat. § 216G (Pipelines)  
 Guaranteed Energy Savings Program: Minn. Stat. § 16C.144 and EO 11-12  
 Local Units of Government Energy Efficiency Program: Minn. Stat. § 216C.42 and 43  
 Energy Information Reporting: Minn. Rules Chapter 7610  
 Emergency Energy Conservation and Allocation Planning: Minn. Stat. § 216C.15  
 State Petroleum Set-Aside Program: Minn. Stat. § 216C.16  
 Minnesota Green Enterprise Assistance: Minn. Stat. § 116J.438  
 Clean Energy Resource Teams: Minn. Stat. § 216C.385  
 Renewable Energy Development: Minn. Stat. § 216C.053  
 Interconnection of on-site distributed generation: Minn. Stat. § 216B.1611  
 Alternative Energy Engineering Activity: Minn. Stat. § 216C.261  
 Wind Energy Production Tax: Minn. Stat. § 272.029  
 Solar Energy Production Tax: Minn. Stat. § 272.0295  
 Alternative Energy Sources: Minn. Stat. § 16B.32  
 Energy Research Project; Review: Minn. Stat. § 216C.26  
 Powers and Duties of Commissioner: Minn. Stat. § 216C.02  
 Community Energy Efficiency and Renewable Energy Loan Program: Minn. Stat. § 216C.145 and 146  
 ARRA Financing Programs: Public Law 111-5  
 Energy Forecasts and Statistical Reporting: Minn. Stat. § 216C.17  
 State Energy Policy and Conservation Report: Minn. Stat. § 216C.18  
 Made in Minnesota Solar Energy Incentive Program: Minn. Stat. § 216C.411 to 415  
 Energy Conservation Information Center: Minn. Stat. § 216C.11



(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	24,949	4,078	3,224	10,264	4,657	4,657	4,917	4,917
2000 - Restrict Misc Special Revenue	9,450	10,566	13,030	11,429	10,489	10,582	12,039	12,132
2403 - Gift	0	0	0	1	0	0	0	0
3000 - Federal	127,272	129,871	119,917	130,037	143,929	142,429	143,929	142,429
<b>Total</b>	<b>161,672</b>	<b>144,515</b>	<b>136,171</b>	<b>151,731</b>	<b>159,075</b>	<b>157,668</b>	<b>160,885</b>	<b>159,478</b>
<i>Biennial Change</i>				(18,285)		28,840		32,460
<i>Biennial % Change</i>				(6)		10		11
<i>Governor's Change from Base</i>								3,620
<i>Governor's % Change from Base</i>								1

**Expenditures by Budget Activity**

Budget Activity: Energy Resources	161,672	144,515	136,171	151,731	159,075	157,668	160,885	159,478
<b>Total</b>	<b>161,672</b>	<b>144,515</b>	<b>136,171</b>	<b>151,731</b>	<b>159,075</b>	<b>157,668</b>	<b>160,885</b>	<b>159,478</b>

**Expenditures by Category**

Compensation	7,067	7,598	7,645	9,712	9,147	9,147	10,252	10,252
Operating Expenses	4,689	4,424	5,731	12,366	7,214	7,092	7,659	7,537
Other Financial Transactions	808	754	845	216	516	516	516	516
Grants, Aids and Subsidies	149,109	131,737	121,951	129,437	142,197	140,912	142,457	141,172
Capital Outlay-Real Property	0	2	0	0	0	0	0	0
<b>Total</b>	<b>161,672</b>	<b>144,515</b>	<b>136,171</b>	<b>151,731</b>	<b>159,075</b>	<b>157,668</b>	<b>160,885</b>	<b>159,478</b>
Total Agency Expenditures	161,672	144,515	136,171	151,731	159,075	157,668	160,885	159,478
Internal Billing Expenditures	612	759	870	866	840	820	840	820
<b>Expenditures Less Internal Billing</b>	<b>161,060</b>	<b>143,756</b>	<b>135,301</b>	<b>150,865</b>	<b>158,234</b>	<b>156,847</b>	<b>160,044</b>	<b>158,657</b>

**Full-Time Equivalents**

	78.2	81.3	79.9	87.3	83.8	83.8	86.8	86.8
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**1000 - General**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	0	711	0	606	0	0	0	0
Direct Appropriation	25,766	3,502	3,848	9,677	4,677	4,677	4,937	4,937
Net Transfers	1,483	676	999	1,010	1,009	1,009	1,009	1,009
Cancellations	1,620	811	1,017	1,029	1,029	1,029	1,029	1,029
<b>Expenditures</b>	<b>24,949</b>	<b>4,078</b>	<b>3,224</b>	<b>10,264</b>	<b>4,657</b>	<b>4,657</b>	<b>4,917</b>	<b>4,917</b>
Balance Forward Out	680	0	606	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(15,540)		(4,174)		(3,654)
<i>Biennial % Change in Expenditures</i>				(54)		(31)		(27)
<i>Gov's Exp Change from Base</i>								520
<i>Gov's Exp % Change from Base</i>								6
Full-Time Equivalents	29.3	29.3	24.0	28.8	26.8	26.8	26.8	26.8

**2000 - Restrict Misc Special Revenue**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	15,007	28,719	41,578	53,002	66,471	80,679	66,471	80,679
Receipts	23,512	23,070	25,160	25,606	25,406	25,406	26,956	26,956
Net Transfers	(996)	(291)	(705)	(709)	(709)	(709)	(709)	(709)
<b>Expenditures</b>	<b>9,450</b>	<b>10,566</b>	<b>13,030</b>	<b>11,429</b>	<b>10,489</b>	<b>10,582</b>	<b>12,039</b>	<b>12,132</b>
Balance Forward Out	28,072	40,933	53,002	66,471	80,679	94,794	80,679	94,794
<i>Biennial Change in Expenditures</i>				4,443		(3,388)		(288)
<i>Biennial % Change in Expenditures</i>				22		(14)		(1)
<i>Gov's Exp Change from Base</i>								3,100
<i>Gov's Exp % Change from Base</i>								15
Full-Time Equivalents	20.2	23.9	29.9	30.5	27.5	27.5	30.5	30.5

**2403 - Gift**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	90	90	91	91	91	91	91	91
Receipts	0	0	1	1	0	0	0	0
<b>Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance Forward Out	90	91	91	91	91	91	91	91
<i>Biennial Change in Expenditures</i>				1		(1)		(1)
<i>Biennial % Change in Expenditures</i>						(100)		(100)

**3000 - Federal**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	3	16	34	0	0	0	0	0
Receipts	127,280	129,888	119,882	130,037	143,929	142,429	143,929	142,429
<b>Expenditures</b>	<b>127,272</b>	<b>129,871</b>	<b>119,917</b>	<b>130,037</b>	<b>143,929</b>	<b>142,429</b>	<b>143,929</b>	<b>142,429</b>
Balance Forward Out	11	32	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(7,189)		36,403		36,403
<i>Biennial % Change in Expenditures</i>				(3)		15		15
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	28.6	28.1	26.0	28.1	29.6	29.6	29.6	29.6

**3002 - Oil Overcharge**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	232	232	232	232	232	232	232	232
Balance Forward Out	232	232	232	232	232	232	232	232

## Program: Weights & Measures

[mn.gov/commerce/](http://mn.gov/commerce/)

### AT A GLANCE

- FY16 Weights & Measures performance by the numbers:
  - **32,281:** Fuel pumps tested and inspected
  - **11,643:** Credit card readers for skimmers inspected
  - **8,574:** Tank inspections completed
  - **1,400:** B10 samples tested
  - **714:** High volume meters tested and inspected
  - **478:** Vehicle tank meters tested and inspected
  - **5,670:** Light capacity scales tested
  - **9,793:** Samples tested and inspected representing 89,434 packages
  - **1,733:** Vehicle scales tested and inspected
  - **927:** Grain and fertilizer scales tested and inspected
  - **1,147:** Other heavy capacity scales tested
  - **8,698:** Fuel quality tests completed
  - **14,587:** Objects calibrated

### PURPOSE & CONTEXT

Weights & Measures protects Minnesota's commercial markets by promoting and ensuring equity, accuracy and quality of goods and fuels. Weights & Measures:

- Promotes Minnesota businesses by providing precision measurement services and by certifying registered service agents who install and calibrate weighing and measuring devices to businesses and individuals
- Supports key Minnesota industries by testing lumber and agricultural scales, certifying the test chains used to calibrate taconite scales, and enforcing the biodiesel and biofuel content mandates enacted by the legislature
- Protects consumers by ensuring that weighing and measuring devices do not facilitate fraud; checking the net quantities of packaged goods; by checking for credit card skimmers at gas stations, and testing fuel

- Protects the health and safety of Minnesota citizens and the environment by checking for leaks and safety equipment on fuel dispensers; sulfur levels and volatility of fuel; and working with the Minnesota Department of Natural Resources to ensure proper firewood labeling to prevent the spread of invasive species

### SERVICES PROVIDED

The Weights & Measures Division encourages business growth and employment opportunities by:

- Promoting an equitable marketplace where both consumers and vendors can be assured of getting a full measure in their commercial transactions, including in key economic markets such as agriculture, lumber and mining
- Ensuring quality fuel to keep Minnesotans' homes and businesses powered and heated and their vehicles on the road while helping the state to meet its petroleum replacement and energy independence goals
- Facilitating the registration and certification of competent service agents to install and repair weighing and measuring devices throughout the state
- Providing International Origination for Standardization, ISO 17205 accredited calibration services to Minnesota manufacturers and other businesses which require those services to participate in international trade or to meet precision manufacturing standards

The Weights & Measures Division provides five services to promote an equitable marketplace, free from fraud, which contributes to a healthy, safe environment for all citizens:

- The metrology laboratory maintains National Institute of Standards and Technology (NIST) recognition and National Voluntary Laboratory Accreditation Program (NVLAP) accreditation; and ensures accuracy in basic physical measurement by maintaining the state standards for mass, length, volume, temperature, and density; and by offering precision calibration services to businesses and individuals

- Weights & Measures investigators enforce Minnesota statutes and rule to prevent fraud and ensure the accuracy and safety of gas pumps; meters used at terminals, refineries and airports; grocery scales; prepackaged commodities; livestock, railway track, grain and fertilizer scales; precious metals scales; and a broad range of other commercial weighing and measuring devices
- Petroleum lab staff and light duty investigators partner to ensure fuel quality, protect the environment, and enforce statutory biofuel mandates through records audits, routine sampling, complaint investigation, and fuel testing to ASTM quality standards and the Environmental Protection Agency volatility and sulfur standards
- Weights & Measures management and investigative staff test and monitor the competency and performance of registered service technicians and private liquefied petroleum gas inspectors who install and repair commercial weighing and measuring devices in Minnesota
- Weights & Measures consults with other agencies to harmonize policy and enforcement within the state and across the nation, including the Pollution Control Agency Tank Enforcement Division, the Department of Revenue Petroleum Division, and the Department of Agriculture on the Biodiesel Task Force, the NextGen Energy Board, and the Food Inspection Program. In addition, the division participates in regional, national and international standard-setting organizations such as the Central Weights and Measures Association (CWMA), the National Conference on Weights & Measures (NCWM), ASTM International (fuel subcommittees), and the National Conference of Standards Laboratories International (NCSLI).

## RESULTS

In FY 2016, the Weights & Measures Division saw production rates rise 47% over the previous fiscal year. Compliance rates also improved slightly. Inspection intervals at current production levels are expected to be reduced to approximately 2 years.

<b><i>Type of Measure</i></b>	<b><i>Name of Measure</i></b>	<b><i>Previous FY2015</i></b>	<b><i>Current FY2016</i></b>
Quantity	Number of devices, audits and package lots checked	46,592	68,761
Results	Percent of devices, audits and package lots approved as found without need for any corrections	79.8%	80.7%
Results	Percent of devices, audits and package lots removed from marketplace	1.3%	3.2%
Results	Percent of devices, audits and package lots corrected because of W&M inspections	19.0%	16.2%

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Statutory Authority: The Department's authority is located in Chapter 239 and Minnesota Rule 7601.

**Expenditures By Fund**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
2000 - Restrict Misc Special Revenue	3,425	3,386	3,558	3,465	3,515	3,515	3,801	3,801
<b>Total</b>	<b>3,425</b>	<b>3,386</b>	<b>3,558</b>	<b>3,465</b>	<b>3,515</b>	<b>3,515</b>	<b>3,801</b>	<b>3,801</b>
Biennial Change				211		7		579
Biennial % Change				3		0		8
Governor's Change from Base								572
Governor's % Change from Base								8

**Expenditures by Budget Activity**

Budget Activity: Weights & Measures	3,425	3,386	3,558	3,465	3,515	3,515	3,801	3,801
<b>Total</b>	<b>3,425</b>	<b>3,386</b>	<b>3,558</b>	<b>3,465</b>	<b>3,515</b>	<b>3,515</b>	<b>3,801</b>	<b>3,801</b>

**Expenditures by Category**

Compensation	2,171	2,138	2,371	2,520	2,520	2,520	2,520	2,520
Operating Expenses	982	984	1,031	825	825	825	825	825
Other Financial Transactions	173	6	1	20	20	20	306	306
Capital Outlay-Real Property	99	258	154	100	150	150	150	150
<b>Total</b>	<b>3,425</b>	<b>3,386</b>	<b>3,558</b>	<b>3,465</b>	<b>3,515</b>	<b>3,515</b>	<b>3,801</b>	<b>3,801</b>
Total Agency Expenditures	3,425	3,386	3,558	3,465	3,515	3,515	3,801	3,801
Internal Billing Expenditures	0	0	0	10	10	10	10	10
<b>Expenditures Less Internal Billing</b>	<b>3,425</b>	<b>3,386</b>	<b>3,558</b>	<b>3,455</b>	<b>3,505</b>	<b>3,505</b>	<b>3,791</b>	<b>3,791</b>

**Full-Time Equivalents**

	28.4	27.1	29.9	29.9	29.9	29.9	29.9	29.9
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**2000 - Restrict Misc Special Revenue**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	524	632	837	868	968	1,018	968	1,018
Receipts	15	28	25	5	5	5	291	291
Net Transfers	3,516	3,557	3,564	3,560	3,560	3,560	3,560	3,560
<b>Expenditures</b>	<b>3,425</b>	<b>3,386</b>	<b>3,558</b>	<b>3,465</b>	<b>3,515</b>	<b>3,515</b>	<b>3,801</b>	<b>3,801</b>
Balance Forward Out	630	831	868	968	1,018	1,068	1,018	1,068
<i>Biennial Change in Expenditures</i>				211		7		579
<i>Biennial % Change in Expenditures</i>				3		0		8
<i>Gov's Exp Change from Base</i>								572
<i>Gov's Exp % Change from Base</i>								8
Full-Time Equivalents	28.4	27.1	29.9	29.9	29.9	29.9	29.9	29.9

## Program: Insurance Division

[mn.gov/commerce/industries/insurance/](http://mn.gov/commerce/industries/insurance/)

**AT A GLANCE**

- **\$315 billion:** Number of Minnesota insurer assets regulated by the Insurance Division, an increase of \$57 billion since 2014
- **4,093:** Policy rate and form filings reviewed in 2015
- **16:** Domestic insurance companies issued formal examination reports
- **36:** Certificates of authorities issued increasing competition and providing additional capacity in the insurance marketplace
- **74 and 83:** Number of insurance risk entities and township mutuals that were safety monitored
- **2017:** The year the Division is due for National Association of Insurance Commissioners Accreditation Review. Accreditation allows other states to rely on the Department's review and examination of domestic insurers, reducing cost and administrative burden for Minnesota insurers.

**PURPOSE & CONTEXT**

The mission of the Department of Commerce's Insurance Division is to ensure that insurance companies licensed to do business in Minnesota are financially sound, offer insurance products that are fair and at reasonable rates, and inform and respond to the insurance needs of the residents and businesses of Minnesota, all contributing to a strong and vibrant economy.

The Division examines insurers to identify and prevent solvency and liquidity concerns, reviews complex insurance company transactions to prevent Minnesotans' financial interests from being harmed and license companies.

The Insurance Division work is divided into actuarial review, financial analysis, examinations, licensing and insurance product form and rate filing for health, property and casualty and life insurance.

**SERVICES PROVIDED**

- The Insurance Division evaluates insurance policies and rates to ensure fairness in rates and compliance with Minnesota statutes and licenses, examines and regulates insurance companies to ensure they are safe and financially solvent now and in the future.
- The Insurance Division serves Minnesota consumers and businesses that rely on insurance companies (and other mechanisms designed to reduce financial risk) for financial products and services, the Minnesota insurance industry, other state insurance regulators, the legislature, and other state agencies.
- This activity is partially funded through the general fund and partially through the insurance examination revolving fund. Revenues generated from the activity consist of examination fees, desk analysis fees, registration and filing fees, transaction fees, and premium tax.

The work of the Insurance Division can be divided into the following broad categories:

- **Actuarial** – applies asset-liability modeling expertise to verify the adequacy of insurance company reserves and capital and review pricing models to ensure rates are adequate, not excessive, fair, non-discriminatory, and equitable;
- **Financial Analysis** – evaluate information and develop a financial profile of both domestic and foreign insurance companies doing business in Minnesota, based on statutorily required financial reports submitted by the companies and authorize requests for reportable transactions by domestic insurers. Recent regulations require that Department analysts review in-depth risk solvency assessments for large companies;
- **Examinations** – conducts on-site examinations of each Minnesota-domiciled insurer once every five years. Examiners review insurance company books and records at the company headquarters, conduct a risk-focused examination per national requirements, make recommendations for insurer improvement, and prepare examination reports;
- **Licensing** – reviews insurance company applications for insurers wishing to be admitted to the state and/or wishing to write additional lines of business and approves or denies those applications based on standards of compliance and financial strength;



- Insurance Product Form and Rate Filings – reviews insurance form and rate submissions for compliance with Minnesota statutes to ensure Minnesotans are protected from false and deceptive products, as well as review the financial condition of companies that self-insure.

## RESULTS

<i><b>Type of Measure</b></i>	<i><b>Name of Measure</b></i>	<i><b>Previous</b></i>	<i><b>Current</b></i>	<i><b>Dates</b></i>
Quantity	Policy Form and Rate Review	4,345 filings reviewed	4,093 filings reviewed	FY2015 and FY2016
Quality	Speed-to-Market Form and Rate Review – Property & Casualty	41.4 days	27.7 days	FY2015 and FY2016
Quality	Speed-to-Market Form and Rate Review – Life & Health	34.5 days	39.4 days	FY2015 and FY2016
Quality	Speed-to-Market Form and Rate Review – Workers Compensation	11.8 days	10.4 days	FY2015 and FY2016
Quantity	Financial Examinations*	16	10	FY2015 and FY2016
Quantity	Financial Analysis*	74	74	FY2015 and FY2016

\* Financial examinations are undertaken on a regular schedule. Financial Examinations are completed on individual insurance companies. Examinations are completed every three years for Health Maintenance Organizations on behalf of the Department of Health and every five years for indemnity insurers. Analysis is performed on a quarterly basis or more frequently as additional information is received. Financial Analysis is performed on a quarterly basis for 74 insurance entities.

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Statutory Authority: The Department's authority is located in Chapters: 59A, 59B, 59C, 60A, 60B, 60C, 60D, 60E, 60F, 60G, 60H, 60J, 60K, 60L, 61A, 61B, 62A, 62B, 62C, 62D, 62E, 62F, 62H, 62I, 62J, 62L, 62M, 62Q, 62R, 62S, 62U, 64B, 65A, 65B, 66A, 67A, 69, 70A, 71A, 72A, 72B, 72C, 79, 79A.

**Expenditures By Fund**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	3,197	3,445	3,480	5,056	4,396	4,396	4,396	4,396
2000 - Restrict Misc Special Revenue	4,213	4,260	5,024	5,050	5,050	5,050	5,050	5,050
2001 - Other Misc Special Revenue	235	164	117	356	300	300	300	300
2830 - Workers Compensation	465	496	519	587	553	553	553	553
3000 - Federal	605	532	607	1,100	700	500	700	500
<b>Total</b>	<b>8,714</b>	<b>8,898</b>	<b>9,748</b>	<b>12,149</b>	<b>10,999</b>	<b>10,799</b>	<b>10,999</b>	<b>10,799</b>
Biennial Change				4,284		(99)		(99)
Biennial % Change				24		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

**Expenditures by Budget Activity**

Budget Activity: Insurance	8,714	8,898	9,748	12,149	10,999	10,799	10,999	10,799
<b>Total</b>	<b>8,714</b>	<b>8,898</b>	<b>9,748</b>	<b>12,149</b>	<b>10,999</b>	<b>10,799</b>	<b>10,999</b>	<b>10,799</b>

**Expenditures by Category**

Compensation	3,813	3,979	3,750	5,783	5,107	4,932	5,107	4,932
Operating Expenses	4,887	4,911	5,996	6,358	5,885	5,860	5,885	5,860
Other Financial Transactions	15	7	2	8	8	8	8	8
Capital Outlay-Real Property	0	1	0	0	0	0	0	0
<b>Total</b>	<b>8,714</b>	<b>8,898</b>	<b>9,748</b>	<b>12,149</b>	<b>10,999</b>	<b>10,799</b>	<b>10,999</b>	<b>10,799</b>
Total Agency Expenditures	8,714	8,898	9,748	12,149	10,999	10,799	10,999	10,799
Internal Billing Expenditures	108	108	235	156	156	156	156	156
<b>Expenditures Less Internal Billing</b>	<b>8,606</b>	<b>8,790</b>	<b>9,513</b>	<b>11,993</b>	<b>10,843</b>	<b>10,643</b>	<b>10,843</b>	<b>10,643</b>

**Full-Time Equivalents**

	<b>38.3</b>	<b>37.5</b>	<b>36.4</b>	<b>46.2</b>	<b>41.3</b>	<b>40.8</b>	<b>41.3</b>	<b>40.8</b>
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**1000 - General**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	0	173	0	571	0	0	0	0
Direct Appropriation	3,362	3,362	4,095	4,504	4,416	4,416	4,416	4,416
Net Transfers	975	985	634	686	685	685	685	685
Cancellations	975	1,075	678	705	705	705	705	705
<b>Expenditures</b>	<b>3,197</b>	<b>3,445</b>	<b>3,480</b>	<b>5,056</b>	<b>4,396</b>	<b>4,396</b>	<b>4,396</b>	<b>4,396</b>
Balance Forward Out	165	0	571	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				1,894		255		255
<i>Biennial % Change in Expenditures</i>				29		3		3
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	30.4	30.5	29.3	36.0	34.0	34.0	34.0	34.0

**2000 - Restrict Misc Special Revenue**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	43	29	26	25	25	25	25	25
Receipts	5,172	5,266	5,676	5,755	5,755	5,755	5,755	5,755
Net Transfers	(975)	(1,011)	(653)	(705)	(705)	(705)	(705)	(705)
<b>Expenditures</b>	<b>4,213</b>	<b>4,260</b>	<b>5,024</b>	<b>5,050</b>	<b>5,050</b>	<b>5,050</b>	<b>5,050</b>	<b>5,050</b>
Balance Forward Out	27	25	25	25	25	25	25	25
<i>Biennial Change in Expenditures</i>				1,601		26		26
<i>Biennial % Change in Expenditures</i>				19		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

**2001 - Other Misc Special Revenue**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	100	100	100	56	0	0	0	0
Receipts	235	164	73	300	300	300	300	300
<b>Expenditures</b>	<b>235</b>	<b>164</b>	<b>117</b>	<b>356</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>
Balance Forward Out	100	100	56	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				74		127		127
<i>Biennial % Change in Expenditures</i>				19		27		27
<i>Gov's Exp Change from Base</i>								0

**2001 - Other Misc Special Revenue**

Gov's Exp % Change from Base							0
Full-Time Equivalents	0.7	0.6	0.4	0.4	0.4	0.4	0.4

**2830 - Workers Compensation**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Balance Forward In	0	88	0	34	0	0	0	0
Direct Appropriation	553	553	553	553	553	553	553	553
Cancellations	0	145	0	0	0	0	0	0
<b>Expenditures</b>	<b>465</b>	<b>496</b>	<b>519</b>	<b>587</b>	<b>553</b>	<b>553</b>	<b>553</b>	<b>553</b>
Balance Forward Out	88	0	34	0	0	0	0	0
Biennial Change in Expenditures				145		0		0
Biennial % Change in Expenditures				15		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0
Full-Time Equivalents	2.9	3.2	3.3	3.3	3.3	3.3	3.3	3.3

**3000 - Federal**

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
Receipts	605	531	606	1,100	700	500	700	500
<b>Expenditures</b>	<b>605</b>	<b>532</b>	<b>607</b>	<b>1,100</b>	<b>700</b>	<b>500</b>	<b>700</b>	<b>500</b>
Biennial Change in Expenditures				570		(507)		(507)
Biennial % Change in Expenditures				50		(30)		(30)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0
Full-Time Equivalents	4.2	3.3	3.4	6.4	3.5	3.0	3.5	3.0

# FY 2018-19 Federal Funds Summary

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	New Grant	FY2016 Actuals	FY2017 Budget	FY2018 Base	FY2019 Base	Required State Match or MOE?	FTEs
DOE-81.041	State Energy Program- <i>The State Energy Program (SEP) provides technical assistance, financial assistance, education and training, as well as data for energy efficiency and renewable energy.</i>	No	1,040	900	900	900	Match	8
DOE-81.042	Weatherization Assistance for Low Income Persons- <i>The Weatherization Assistance Program (WAP) uses energy conservation techniques to reduce the cost of home energy for eligible low-income households.</i>	No	8,662	9,418	9,029	9,029	No	4
DOE-81.119	State Energy Program Special Projects- <i>The State Energy Program Special Projects provides technical assistance, financial assistance, education and training, as well as data for energy efficiency and renewable energy.</i>	No	437	850	4,000	2,500	Match	5
HHS-93.568	Low Income Home Energy Assistance Program- <i>The Weatherization Assistance Program (WAP) uses energy conservation techniques to reduce the cost of home energy for eligible low-income households.</i>	No	109,778	118,869	130,000	130,000	No	13
	<b>Program Total-Energy</b>		<b>119,917</b>	<b>130,037</b>	<b>143,929</b>	<b>142,429</b>		<b>30</b>
HHS-93.511	Health Ins Rate Review Grant- <i>used to improve the process of approving or disapproving the rates for all medical insurance</i>	No	607	600	200	0	No	0
HHS-93.881	Health Ins Enforcement & Consumer Protections- <i>used to oversee and enforce three market reform and consumer protection provisions with respect to health insurance under the Public Health Services Act's title XXVII Part A</i>	Yes		500	500	500	No	3
	<b>Program Total-Insurance</b>		<b>607</b>	<b>1,100</b>	<b>700</b>	<b>500</b>		<b>3</b>
	<b>Federal Fund – Agency Total</b>		<b>120,524</b>	<b>131,137</b>	<b>144,629</b>	<b>142,929</b>		<b>33</b>

## Narrative:

Please provide a brief narrative overview of all the agency's federal funds to give a general overview of the role of the federal funds within the agency. The narrative should be written in plain language, and should be approximately a half page in length. Please also include the following information, where applicable:

- Maintenance of effort levels (MOE)
- Changing funding levels or trends that may impact future awards
- Major state funding related to federal awards
- Basis for award estimates.