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Minnesota Management and Budget

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AT A GLANCE

- Approximately 260 employees manage the financial and employee relations responsibilities of the state
- Coordinate biennial budget process for more than 100 agencies, boards, commissions, and the legislative and judicial branches
- Oversee and maintain human resource policy for more than 100 state agencies, boards, and councils, including recruitment, retention, talent management, classification, compensation, and training
- Manage more than \$8 billion in state public debt
- Process an average of 48,000 vendor payments per week
- Process approximately 55,000 employee paychecks twice a month
- The State Employee Group Insurance Program manages health benefits for over 129,000 employees, dependents, and retirees
- Responsible for producing twice a year budget and economic forecasts
- Negotiate contracts with 13 state employee bargaining units

PURPOSE

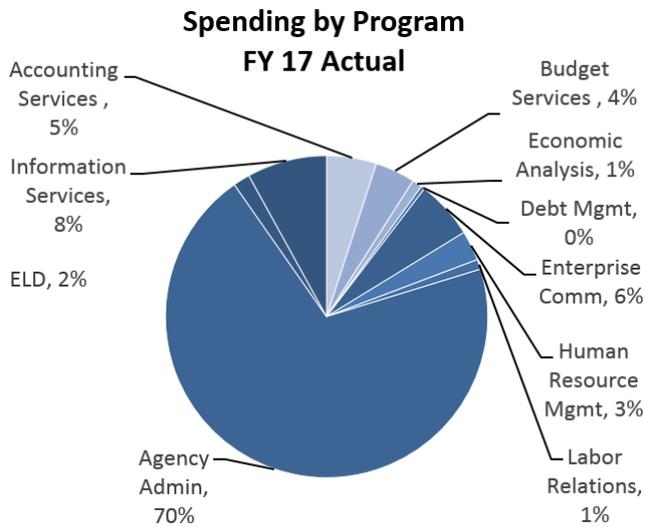
Minnesota Management & Budget (MMB) is responsible for managing state finances, payroll, and human resources and provides systems for daily business operations and information access and analysis.

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

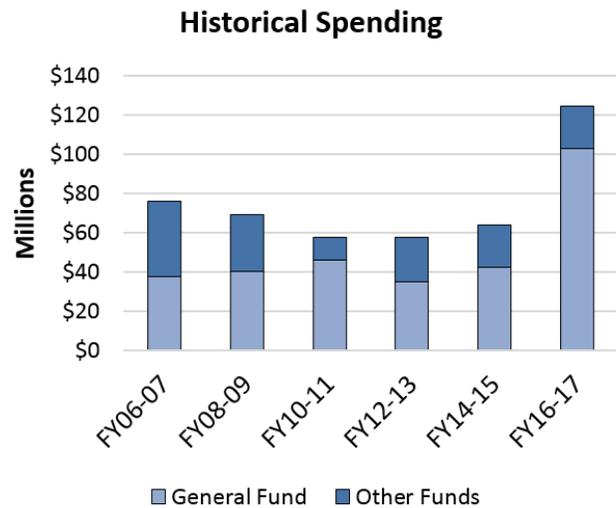
- Supporting the governor in establishing policies, and proposing and implementing budgets that benefit the people of Minnesota.
- Providing information that is accessible, consistent, objective, timely, and accurate to state agencies, the legislature, and citizens.
- Providing financial, human resources,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

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

BUDGET



Source: Budget Planning & Analysis System (BPAS)



Source: Consolidated Fund Statement

The dramatic increase in FY16-17 spending is the result of \$327 million in one-time funds appropriated to MMB to administer the Health Insurance Premium Subsidy Program. In fiscal year 2017, we expended \$56.4 million of these funds. Note that the costs associated with the operation of the State Employees Group Insurance Plan (SEGIP) and the Public Employees Insurance Plan (PEIP) are not reflected in these charts and graphs. Due to the size of the budget of the insurance programs, their costs are only reflected in their respective budget narratives.

The majority of MMB's operating budget is funded through general fund appropriations. For fiscal years 2018 and 2019, \$51.6 million is provided for core agency activities in accounting, budgeting, economic analysis, debt management, enterprise human resources, labor relations, and management services. Other funds comprise the balance of \$45.5 million (in special revenue and internal service funds), support a portion of the costs of operating the statewide business systems, and management analysis and training services that are available through MMB. An additional \$18 million has been appropriated from the general fund to pay the debt service costs associated with the building of the state's accounting and procurement system. While not reflected in this document, the estimated costs of the operations of SEGIP for the current biennium are \$2 billion, and \$349 million for PEIP. The costs for SEGIP are borne by state agency and employee contributions, and by participant contributions for PEIP.

STRATEGIES

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

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

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

Management and Budget

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
1000 - General	19,928	83,241	108,576	27,175	26,081	26,081	33,558	27,726
2000 - Restrict Misc Special Revenue	69	69	78	74	74	74	74	74
2001 - Other Misc Special Revenue	12,742	8,441	12,379	20,551	11,892	11,924	11,414	11,446
2365 - Opioid Stewardship								498
4700 - Public Employees Insurance	100,664	106,279	156,327	163,777	170,815	176,855	170,815	176,855
5200 - Management Analysis	7,549	7,484	9,666	11,972	12,229	13,120	12,229	13,120
5600 - State Employees Insurance	859,348	874,002	928,897	979,791	1,046,258	1,113,239	1,046,258	1,113,239
6000 - Miscellaneous Agency	33,146	34,044	35,430	37,340	37,320	37,300	37,320	37,300
Total	1,033,447	1,113,562	1,251,354	1,240,680	1,304,669	1,378,593	1,311,668	1,380,258
Biennial Change				345,025		191,228		199,892
Biennial % Change				16		8		8
Governor's Change from Base								8,664
Governor's % Change from Base								0

Expenditures by Program

Statewide Services	40,289	99,236	130,699	59,772	50,276	51,199	57,275	52,864
Statewide Insurance Programs	993,159	1,014,326	1,120,654	1,180,908	1,254,393	1,327,394	1,254,393	1,327,394
Total	1,033,447	1,113,562	1,251,354	1,240,680	1,304,669	1,378,593	1,311,668	1,380,258

Expenditures by Category

Compensation	23,189	24,280	26,223	27,583	28,721	28,873	29,795	30,531
Operating Expenses	1,010,163	1,032,293	1,143,469	1,212,998	1,275,859	1,349,631	1,281,784	1,349,638
Grants, Aids and Subsidies	0	56,391	81,529					
Capital Outlay-Real Property	20	0	1					
Other Financial Transaction	74	598	132	99	89	89	89	89
Total	1,033,447	1,113,562	1,251,354	1,240,680	1,304,669	1,378,593	1,311,668	1,380,258

Full-Time Equivalent

	232.74	237.14	248.11	255.93	257.95	256.15	264.05	268.25
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Management and Budget

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
1000 - General								
Balance Forward In	400	3,144	272,370	743				
Direct Appropriation	31,364	361,465	34,448	35,104	25,946	25,946	33,423	27,591
Transfers In	3,241	8,269	839	1,573	207	207	207	207
Transfers Out	12,030	17,170	9,674	10,245	72	72	72	72
Cancellations	3	96	188,662					
Balance Forward Out	3,043	272,370	744					
Expenditures	19,928	83,241	108,576	27,175	26,081	26,081	33,558	27,726
Biennial Change in Expenditures				32,581		(83,589)		(74,467)
Biennial % Change in Expenditures				32		(62)		(55)
Governor's Change from Base								9,122
Governor's % Change from Base								17
Full-Time Equivalents	139.43	143.14	144.58	149.30	143.30	141.50	152.40	152.00

2000 - Restrict Misc Special Revenue

Balance Forward In	7	8	9	10	10	10	10	10
Receipts	71	70	79	74	74	74	74	74
Balance Forward Out	8	9	10	10	10	10	10	10
Expenditures	69	69	78	74	74	74	74	74
Biennial Change in Expenditures				13		(4)		(4)
Biennial % Change in Expenditures				10		(3)		(3)
Governor's Change from Base								0
Governor's % Change from Base								0

2001 - Other Misc Special Revenue

Balance Forward In	12,524	11,057	13,954	12,901	3,796	3,350	3,796	3,350
Receipts	10,778	10,892	11,139	11,100	11,100	11,100	10,968	10,968
Transfers In	190	311	347	346	346	346	0	0
Transfers Out		150	160					
Balance Forward Out	10,750	13,669	12,900	3,796	3,350	2,872	3,350	2,872
Expenditures	12,742	8,441	12,379	20,551	11,892	11,924	11,414	11,446
Biennial Change in Expenditures				11,747		(9,114)		(10,070)
Biennial % Change in Expenditures				55		(28)		(31)
Governor's Change from Base								(956)

Management and Budget

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Governor's % Change from Base								(4)
Full-Time Equivalents	24.40	25.70	28.06	26.50	26.00	26.00	23.00	23.00

2365 - Opioid Stewardship

Direct Appropriation								498
Expenditures								498
Biennial Change in Expenditures				0		0		498
Biennial % Change in Expenditures								
Governor's Change from Base								498
Governor's % Change from Base								
Full-Time Equivalents								4.60

4700 - Public Employees Insurance

Balance Forward In	35,072	44,770	61,739	78,235	91,335	104,525	91,335	104,525
Receipts	110,357	123,248	172,823	176,877	184,005	191,415	184,005	191,415
Balance Forward Out	44,765	61,739	78,235	91,335	104,525	119,085	104,525	119,085
Expenditures	100,664	106,279	156,327	163,777	170,815	176,855	170,815	176,855
Biennial Change in Expenditures				113,161		27,566		27,566
Biennial % Change in Expenditures				55		9		9
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	1.55	1.57	1.54	1.30	1.30	1.30	1.30	1.30

5200 - Management Analysis

Balance Forward In	1,178	1,098	1,735	2,970	2,464	2,578	2,464	2,578
Receipts	7,317	7,993	10,902	11,466	12,343	12,858	12,343	12,858
Balance Forward Out	946	1,608	2,971	2,464	2,578	2,316	2,578	2,316
Expenditures	7,549	7,484	9,666	11,972	12,229	13,120	12,229	13,120
Biennial Change in Expenditures				6,606		3,711		3,711
Biennial % Change in Expenditures				44		17		17
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	25.48	22.72	27.84	31.74	37.40	37.40	37.40	37.40

5600 - State Employees Insurance

Management and Budget

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Balance Forward In	249,092	225,021	256,829	292,344	309,877	306,212	309,877	306,212
Receipts	834,935	904,775	964,430	997,345	1,042,614	1,098,935	1,042,614	1,098,935
Transfers In	83,456	6,160	2,113	900	900	900	900	900
Transfers Out	83,476	6,180	2,133	921	921	921	921	921
Balance Forward Out	224,659	255,774	292,342	309,877	306,212	291,887	306,212	291,887
Expenditures	859,348	874,002	928,897	979,791	1,046,258	1,113,239	1,046,258	1,113,239
Biennial Change in Expenditures				175,337		250,809		250,809
Biennial % Change in Expenditures				10		13		13
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	41.88	44.01	46.09	47.09	49.95	49.95	49.95	49.95

6000 - Miscellaneous Agency

Balance Forward In	5,523	5,082	5,688	7,332	7,194	8,576	7,194	8,576
Receipts	32,705	34,650	37,074	37,202	38,702	38,702	38,702	38,702
Balance Forward Out	5,082	5,688	7,332	7,194	8,576	9,978	8,576	9,978
Expenditures	33,146	34,044	35,430	37,340	37,320	37,300	37,320	37,300
Biennial Change in Expenditures				5,580		1,850		1,850
Biennial % Change in Expenditures				8		3		3
Governor's Change from Base								0
Governor's % Change from Base								0

Management and Budget

Agency Change Summary

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Direct				
Fund: 1000 - General				
FY2019 Appropriations	35,104	35,104	35,104	70,208
Base Adjustments				
Current Law Base Change		(9,219)	(9,219)	(18,438)
Pension Allocation		61	61	122
Approved Transfer Between Appropriation		0	0	0
Forecast Base	35,104	25,946	25,946	51,892
Change Items				
State Workforce Investment		1,168	868	2,036
Enterprise Systems		5,700		5,700
Operating Adjustment		404	525	929
Enhanced Results Analysis for Decision-Making		205	252	457
Total Governor's Recommendations	35,104	33,423	27,591	61,014
Fund: 2365 - Opioid Stewardship				
Change Items				
Impact Evaluation of Opioid Stewardship Investments			498	498
Total Governor's Recommendations			498	498
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	74	74	74	148
Forecast Base	74	74	74	148
Total Governor's Recommendations	74	74	74	148
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	20,551	11,892	11,924	23,816
Forecast Base	20,551	11,892	11,924	23,816
Change Items				
State Workforce Investment		(478)	(478)	(956)
Total Governor's Recommendations	20,551	11,414	11,446	22,860
Fund: 4700 - Public Employees Insurance				
Planned Spending	163,777	170,815	176,855	347,670
Forecast Base	163,777	170,815	176,855	347,670
Total Governor's Recommendations	163,777	170,815	176,855	347,670
Fund: 5200 - Management Analysis				

Management and Budget

Agency Change Summary

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Planned Spending	11,972	12,229	13,120	25,349
Forecast Base	11,972	12,229	13,120	25,349
Total Governor's Recommendations	11,972	12,229	13,120	25,349
Fund: 5600 - State Employees Insurance				
Planned Spending	979,791	1,046,258	1,113,239	2,159,497
Forecast Base	979,791	1,046,258	1,113,239	2,159,497
Total Governor's Recommendations	979,791	1,046,258	1,113,239	2,159,497
Fund: 6000 - Miscellaneous Agency				
Planned Spending	37,340	37,320	37,300	74,620
Forecast Base	37,340	37,320	37,300	74,620
Total Governor's Recommendations	37,340	37,320	37,300	74,620
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	74	74	74	148
Total Governor's Recommendations	74	74	74	148
Fund: 2001 - Other Misc Special Revenue				
Forecast Revenues	11,100	11,100	11,100	22,200
Change Items				
State Workforce Investment		(132)	(132)	(264)
Total Governor's Recommendations	11,100	10,968	10,968	21,936
Fund: 4700 - Public Employees Insurance				
Forecast Revenues	176,877	184,005	191,415	375,420
Total Governor's Recommendations	176,877	184,005	191,415	375,420
Fund: 5200 - Management Analysis				
Forecast Revenues	11,466	12,343	12,858	25,201
Total Governor's Recommendations	11,466	12,343	12,858	25,201
Fund: 5600 - State Employees Insurance				
Forecast Revenues	997,345	1,042,614	1,098,935	2,141,549
Total Governor's Recommendations	997,345	1,042,614	1,098,935	2,141,549
Fund: 6000 - Miscellaneous Agency				

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Forecast Revenues	37,202	38,702	38,702	77,404
Total Governor's Recommendations	37,202	38,702	38,702	77,404
<i>Non-Dedicated</i>				
Fund: 1000 - General				
Forecast Revenues	30	30	30	60
Total Governor's Recommendations	30	30	30	60

Minnesota Management and Budget

FY 2020-21 Biennial Budget Change Item

Change Item Title: Statewide Workforce Investment

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	1,168	868	868	868
Revenues	0	0	0	0
Other Funds				
Expenditures	(478)	(478)	(478)	(478)
Revenues	(132)	(132)	(132)	(132)
Transfers in	(346)	(346)	(346)	(346)
Net Fiscal Impact = (Expenditures – Revenues)	1,168	868	868	868
FTEs	2	2	2	2

Recommendation:

The Governor recommends \$1.168 million in FY 2020 and \$868,000 in FY 2021 and each year thereafter from the General Fund to support the Enterprise Human Capital Division's efforts to attract, hire, retain, and support the best workforce, which is responsible delivering critical services to all Minnesotans. The recommendation supports an office of Inclusion and Equity; state workforce recruitment activities; and a statewide compensation study.

This recommendation is equal to a 4.8% increase to Minnesota Management and Budget's General Fund base budget for the FY 2020-2021 biennium.

Rationale/Background:

State of Minnesota agencies, boards, and commissions compete for top talent in a tightening labor market and an aging demographic. We need to be innovative in our employment practices, and create a culture that is inclusive, engaging, and reflective of the communities we serve.

A diverse and inclusive workforce allows us to provide more effective and efficient services for all Minnesotans. With the Office of Inclusion and Equity and Chief Inclusion Officer housed at MMB, we can realize greater synergies among all stakeholders as we work to achieve our diversity and inclusion strategies.

With unemployment below 3 percent, the job market is extremely competitive and it is increasingly difficult to attract and retain the workforce needed to maintain the services that Minnesotans depend upon, especially in certain job classifications. The Executive Branch has been losing about 1,000 employees to retirement annually since FY 2013 and this trend will continue. Turnover is disruptive and expensive; it can cost 100% of an annual salary to replace an employee.

Proposal:

\$1.168 million in FY 2020 and \$868,000 in FY 2021 and each year thereafter to attract, hire, retain, and develop the best workforce that, in turn, delivers critical services to all Minnesotans. Funding will support efforts to provide an inclusive work environment for all state employees; improve the State's capacity to compete for top talent in the tight labor market; and be fully prepared in planning for the future compensation needs of the statewide workforce.

- \$390,000 to create an Office of Inclusion and Equity to lead the development and implementation of proactive diversity, equity, and inclusion programs which will support the State’s diversity and inclusion strategic plan. This will add 2 FTEs including a State Chief Inclusion Officer to provide strategic guidance and direction across the enterprise and to support the Governor’s Diversity, Inclusion, and Equity Council.
- \$478,000 to the Statewide Executive Recruiter to replace the agency billing funding structure in the Special Revenue Fund. This provides reliable funding to deliver expertise and efficient services to agencies, boards, and commissions across state government to help ensure that we attract and retain qualified talent to serve all Minnesotans.
- \$300,000 one-time funding to implement a statewide compensation study to evaluate the State of Minnesota’s position for certain hard-to-fill positions within the relevant labor markets.

Equity and Inclusion:

These proposed changes will impact all protected status groups under the MN Human Rights Act, federal Title VII of the Civil Rights Act of 1964, and related laws. It will expand efforts to recruit a diverse workforce and educate employees. It will also provide resources to study the compensation of workers across the public and private sector to provide fair and competitive salaries to workers across state government.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Target</i>
Quantity	Racial/ethnic minority hiring rate	11.8% 2011	20.3% 2018	20%
Quantity	Employees with disabilities hiring rate	4.1% 2011	6.8% 2018	7%

Statutory Change(s):

None.

Minnesota Management and Budget

FY 2020-21 Biennial Budget Change Item

Change Item Title: Enterprise Systems

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	5,700	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	5,700	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$5.7 million in one-time funding in FY 2020 from the General Fund to Minnesota Management and Budget for its enterprise systems. Of this amount, \$2 million is for the cost to apply maintenance upgrades to MMB-operated enterprise systems. These upgrades are the new baseline required for us to continue to receive support from the vendor. \$3.2 million will replace out-of-support hardware and purchase disaster recovery hardware, and \$500,000 will be used to conduct a study of our enterprise systems, the results of which will be used to develop a sustainable long-term funding plan as recommended by the Office of the Legislative Auditor.

This recommendation is equal to an 11% increase to Minnesota Management and Budget’s General Fund base budget for the FY 2020-2021 biennium.

Rationale/Background:

Minnesota Management and Budget’s (MMB) enterprise systems are used by all state agencies to manage day-to-day business activities such as accounting, enterprise learning management, budgeting, procurement, reporting, payroll, and human resources. With the exception of the budgeting system, all enterprise systems are Oracle PeopleSoft software. Oracle PeopleSoft has changed how it delivers updates (which include bug fixes and security enhancements) in the last few years by delivering smaller, incremental maintenance upgrades on a frequent (often quarterly) basis. With MMB’s current staffing level, it is not possible to keep up with the release of these maintenance upgrades—even on a limited basis. Staff can only implement upgrades and updates one at a time and system by system. Taking longer to make updates often results in systems and applications going out of support, meaning they are more at risk of breaking and would be more costly to fix. This proposes a great risk to the State of Minnesota and its business operations.

The hardware that supports the enterprise systems must also be regularly reviewed, managed, maintained, and replaced to ensure it meets ongoing operational needs. Properly maintained hardware is critical to avoid or manage cybersecurity attacks, which occur with alarming regularity. In addition, if an attack compromises a system, we have limited ability to recover our systems to quickly resume critical operations. It is essential we have disaster recovery plans and capabilities for our shared business systems. Many of MMB’s services (such as payroll, personnel, and financial) are priority services and must be maintained or quickly resumed after an incident.

Enterprise systems are critical for all large organizations. Our enterprise system needs have changed over time – due to new technology and new delivery models by software vendors – but we have not had the resources to keep up.

MMB uses various funding sources to pay for its statewide systems. The primary funding sources are legislative appropriations from the general fund and a Statewide Systems Account which gives MMB the authority to bill up to \$10 million to state agencies. As the Office of the Legislative Auditor recognized in its [October 2018 report](#) MMB lacks sufficient funding to pay both its ongoing operational costs and periodic one-time costs. For anything beyond basic operations of current systems, such as implementing security-related upgrades, adding new functionality, and improving disaster recovery protections, MMB relies extensively on unpredictable and one-time funding sources. This funding model presents ongoing challenges of ensuring the security and stability of our statewide systems.

Proposal:

This is a request for one-time funding for MMB to apply upgrades to enterprise systems, replace out-of-service hardware, and create a disaster recovery option for enterprise systems. These funds will also be used to engage a third party to perform an independent study of MMB IT operations and make recommendations to guide the strategic direction of IT service delivery and a long-term support model. The results of the study will inform a future funding proposal to address the long-term needs of our enterprise systems.

IT Related Proposals:

This request allows MNIT to advance the support of these critical enterprise systems with resources that will implement software updates to increase the level of security needed for the highly sensitive data that these enterprise systems contain. It also provides a study and recommendations to guide the strategic direction of IT service delivery for these enterprise systems. Hardware costs are included to address end-of-life equipment for existing systems and enable a more timely recovery of our systems in the event of a disruption in service.

<i>Category</i>	<i>FY 2020</i>	<i>FY 2021</i>	<i>FY 2022</i>	<i>FY 2023</i>	<i>FY 2024</i>	<i>FY 2025</i>
Professional/Technical Contracts	\$2,500					
Hardware	\$3,200					
Total	\$5,700					

Equity and Inclusion:

All employees, applicants, vendors, and administrative users will benefit from updated enterprise systems. Accessibility updates will greatly enhance the usability of our systems for both internal and external users, making it easier for people with disabilities to interact with our systems. In addition, MMB’s ability to manage and provide services during an emergency affects all employees, as well as businesses and organizations that depend on us for payments and other services.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Target</i>
Quantity	# of security incidents per quarter	5	3	FYQ3, Q4
Quality	# of versions behind	-8	-7	-2
Quality	*System Risk Assessment score - overall average	58	67	90

*Risk assessment score is based on a review of the performance, risk and consequences of failure, and technological condition of the ERP systems. Perfect score is 100.

Statutory Change(s):

None.

Minnesota Management and Budget

FY 2020-21 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	404	525	525	525
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	404	525	525	525
FTEs	2	3	3	3

Recommendation:

The Governor recommends additional funding of \$929,000 in the FY 2020-2021 biennium to maintain the current level of service delivery at Minnesota Management and Budget (MMB).

This recommendation is equal to a 1.8% increase to Minnesota Management and Budget's General Fund base budget for the FY 2020-2021 biennium.

Rationale/Background:

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

Proposal:

The Governor recommends increasing MMB's operating budget to maintain the delivery of current services. This funding will cover known employee compensation growth, lease cost increases, and severance costs as a result of an influx of employee retirements.

Results:

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

Change Item Title: Impact Evaluation of Opioid Stewardship Investments

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	498	498	498
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	498	498	498
FTEs	0	4.6	5	5

Recommendation:

The Governor recommends \$498,000 in FY 2021 and each year thereafter from the Opioid Stewardship Fund to rigorously evaluate the impact of publicly funded interventions to prevent and treat opioid addiction. These evaluations will produce findings that indicate the extent to which there is causal evidence that the studied interventions prevent opioid abuse and emergency room visits and influence other important outcomes such as employment and earnings, housing stability, and involvement in the criminal justice system. Policymakers and practitioners can use the findings from these evaluations to better understand which interventions are most effective for a given individual or community.

Rationale/Background:

In Minnesota (for the most recent year for which data are available):

- 4 percent of 12-17 year olds reported prescription opioid misuse (2013-2014)
- 8 percent of 18-25 year olds reported prescription opioid misuse (2013-2014)
- 3 percent of individuals 26 years or older reported prescription opioid misuse (2013-2014)
- There were 2,036 emergency room visits for opioid-involved overdoses (2017)
- 395 people died from opioid overdoses, which represents the leading cause of overdose deaths (2016)
- African Americans were two times more likely to die of a drug overdose than whites (2016)
- American Indians were almost six times more likely to die of a drug overdose than whites (2016)
- Drug overdose death rates increased for all groups, and disparities by race increased (2015-2016)

A relatively small number of interventions have been rigorously proven effective at preventing and treating misuse of opioids. Federal, state, and local governments are investing heavily in these interventions. Given the severity of the challenge, they also continue to develop and implement innovative methods intended to prevent and treat misuse of opioids. By rigorously evaluating the impact of these innovations, policymakers and practitioners will be able to better understand which interventions are most effective for a given individual or community.

Proposal:

The funding included in this proposal will enable trained social scientists to conduct an average of 2-4 experimental or quasi-experimental design program evaluations per year. The work associated with each evaluation will include: (a) coordinating with policymakers and community representatives to select projects that will be evaluated; (b) consulting with key stakeholders to gather input and establish common expectations regarding the evaluation process and potential results; (c) designing an evaluation that can be implemented

ethically and will provide causal evidence of program impact; (d) identifying indicators that capture key program features and outcomes that will be used in the evaluation; (e) collecting, or otherwise gaining access to, data for these indicators; (f) cleaning the data in preparation for statistical analysis; (g) conducting statistical analysis; (h) producing a short report that describes key findings and a full report containing detailed findings and a description of the methods used; (i) briefing key stakeholders on the key findings and facilitating informed use of these findings for policymaking and/or practice.

Planned expenditures (in thousands) are:

	2020	2021	2022	2023
2 senior evaluators @ \$106K each annually	0	\$195	\$213	\$213
1 data scientist @ \$92K annually	0	84	92	92
2 research analysts @ \$80K each annually	0	146	160	160
PCs and statistical software @ 3K per person annually	0	15	15	15
Data protection, sharing, and management	0	55	15	15
Ground transportation to/from projects	0	3	3	3
Total	0	498	498	498

We will use the most rigorous methods that are appropriate to our evaluation questions and feasible within budget and other constraints. Rigor requires ensuring that inferences about cause and effect are well founded (internal validity); requires clarity about the populations, settings, or circumstances to which results can be generalized (external validity); and requires the use of measures that accurately capture the intended information (measurement reliability and validity). In order to assess the effects of programs or services in a rigorous way, our evaluations will use methods that isolate to the greatest extent possible the impacts of the programs or services from other influences such as trends over time, geographic variation, or pre-existing differences between participants and non-participants. For such causal questions, experimental approaches are preferred. When experimental approaches are not feasible, high-quality quasi-experiments will be used.

We will conduct these evaluations in an ethical manner and safeguard the dignity, rights, safety, and privacy of participants and their data. We will comply with the spirit and the letter of relevant requirements (such as regulations governing research involving human subjects) and professional guidelines (such as the American Evaluation Association’s [Ethical Guiding Principles](#)).

We will make information about planned and ongoing evaluations easily accessible by publishing study plans in advance. We will release evaluation results regardless of the findings. Our evaluation reports will describe the methods used, including strengths and weaknesses, and discuss the generalizability of the findings. Evaluation reports will present comprehensive results, including favorable, unfavorable, and null findings. We will release evaluation results timely, usually within two months of a report’s completion. When permitted by data privacy laws, we will archive evaluation data for secondary use by interested researchers.

The accompanying legislative language specifies that:

- Grants awarded to proposals that are selected for an evaluation shall be administered to support the experimental or quasi-experimental evaluation and shall require the grantee to collect and report information that is needed to complete the evaluation.
- The commissioner of management and budget, under section 15.08, may obtain additional relevant data to support the experimental or quasi-experimental evaluation studies.

Equity and Inclusion:

Opioid addiction and overdose affects Minnesotans of all ages, all income categories, and all races, in urban, suburban, and rural communities. As described above, African Americans and American Indians disproportionately die of drug overdoses. We will work with community members, program staff, policy-makers, service providers to ensure that the design, implementation, and publication of the evaluations that we conduct represent the diverse populations that public programs serve.

Results:

We anticipate using the following performance measures to monitor results of this work. We will consult with legislators, executive branch officials, and local leaders to identify additional measures that they would like to monitor.

Type of Measure	Proposed Measures	Planned data source
Quantity: How much did we do?	Number of impact evaluations conducted Number of community partners consulted during the design and implementation of the impact evaluations	Administrative tracking tool Administrative tracking tool
Quality: How well did we do it?	Number of policymakers (legislators, executive branch officials, local leaders) who report: <ul style="list-style-type: none"> a. trusting the findings b. understanding the findings c. using the findings to inform decisions 	Annual survey of policymakers
Result: Is anyone better off?	Number of opioid-related overdose deaths Number of opioid-related emergency room visits	Minnesota death certificates Minnesota Hospital Discharge Database

Statutory Change(s):

M.S. 151 and M.S. 256

Minnesota Management and Budget

FY 2020-21 Biennial Budget Change Item

Change Item Title: Enhanced Results Analysis for Decision-Making

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	205	252	252	252
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	205	252	252	252
FTEs	2.1	2.5	2.5	2.5

Recommendation:

The Governor recommends \$205,000 in FY 2020 and \$252,000 in FY 2021 and each year thereafter from the General Fund to enhance the capacity of a small existing team that will use new and existing data to give legislators, executive branch officials, local governments, and other Minnesota stakeholders access to concise but comprehensive information about:

- The current status of key outcomes desired by Minnesotans (e.g., increased employment, greater access to high speed internet, reductions in violent crime) and variations experienced by different communities
- The various existing policies and investments that seek to improve each outcome
- Existing research that can inform policy and practice changes that would achieve better outcomes
- Opportunities for new and enhanced collaboration across agencies and sectors

For each of priority areas identified by policymakers, this team will:

- Collect, analyze, and summarize new and existing data that facilitates shared understanding
- Share this information in formats and settings that are most useful to policymakers and administrators
- Convene events that lead to shared data-driven understanding and shared action

This recommendation is equal to a 0.9% increase to Minnesota Management and Budget’s General Fund base budget for the FY 2020-2021 biennium.

Rationale/Background:

Legislators, executive branch officials, local governments, and other Minnesota stakeholders have access to many useful information sources and tools, including agency budget narratives, the Minnesota Dashboard, Results First reports and tools, Office of the Legislative Auditor reports, legislative staff reports and briefs, legislatively required reports produced by state agencies, and materials prepared by community groups and other organized voices.

Despite the wealth of information provided by these individual sources, for any given policy goal it can be difficult to obtain a comprehensive understanding of what communities across the state are experiencing, which existing policies and investments seek to address their concerns, what performance measures tell us about these policies and investments, what research indicates could help the state achieve better outcomes, and how community members would like to see their governments proceed.

The staff funded by this proposal will collect and analyze new data and collaborate with the producers of the useful resources described above to give policymakers access to concise but comprehensive information on the challenges that they are interested in solving, what is currently being done to address them, and research-based options available to them.

Legislators, executive branch officials, local governments, and other Minnesota stakeholders frequently express interest in being able to participate in well-facilitated, data-driven, solution-oriented meetings. In 2015 the legislature took an initial step toward filling this need by establishing the state’s Results First initiative. State and local respondents to Minnesota’s annual survey of policymakers regularly report that they value the information produced by this initiative and many also report using it to inform decision-making. Members of the Results First Advisory Committee have expressed interest in seeing the Results First information used in the context of holistic discussion of desired population outcomes. This proposal would be responsive to this interest.

Proposal:

When fully implemented, this proposal will fund the compensation for 2.5 employees. The salary and benefits for these individuals are outlined in the following table (in thousands).

	2020	2021	2022	2023
State Program Coordinator (1 FTE)	\$82	\$101	\$101	\$101
State Program Coordinator (0.5 FTE)	41	50	50	50
Research Scientist 3 (1 FTE)	82	101	101	101
Total	205	252	252	252

As described above, for each of priority areas identified by policymakers, this team will:

- Collect, analyze, and summarize new and existing data that facilitates shared understanding
- Share this information in formats and settings that are most useful to policymakers and administrators
- Convene events that lead to shared data-driven understanding and shared action

Equity and Inclusion:

The staff funded by this proposal will produce analytic materials that help policymakers understand the outcomes being experienced by different communities in our state and the extent to which existing policies and investments are addressing them. This information, combined with input received from communities, will enable policymakers to design and implement policy and practice changes that achieve better outcomes for all Minnesotans.

Results:

We anticipate using the following performance measures to monitor the results of this work. We will consult with legislators, executive branch officials, and local leaders to identify additional measures that they would like to monitor.

Type of Measure	Proposed Measures	Planned data source
Quantity: How much did we do?	Number of website hits Number of briefs produced Number of policymakers briefed	Web analytics tool Administrative tracking tool Administrative tracking tool
Quality: How well did we do it?	Number of policymakers (legislators, executive branch officials, local leaders) who report: <ul style="list-style-type: none"> a. trusting the information produced b. understanding the information produced c. using the information produced 	Annual survey of policymakers
Result: Is anyone better off?	# of policy and resource allocation decisions informed by this work that are found to achieve their stated goals	Rigorous impact evaluations and/or systematic collection of data on community satisfaction

Statutory Change(s):

None.

Program: Statewide Services

Activity: Accounting Services

mn.gov/mmb/

AT A GLANCE

- Supports state operations in the areas of accounting, payroll, and financial reporting
- Provides functional support of two financial management systems: Statewide Integrated Financial Tools (SWIFT) and the Statewide Employee Management System (SEMA4)
- 67,370 employees paid during CY 2017
- 2.5 million payments made to vendors during FY 2018
- As of August 2018, there are over 7,000 users of the SWIFT and SEMA4 systems

PURPOSE & CONTEXT

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

SERVICES PROVIDED

We provide the following services:

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

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Achieve Certificate of Excellence in Financial Reporting and unqualified audit opinion for the Comprehensive Annual Financial Report	Both met	Both met	2017, 2018
Quality	State agency payments issued within 30 days	98.03%	97.78%	2017, 2018
Quality	Payments issued electronically	90.86%	90.63%	2017, 2018
Quality	Employee timesheets processed electronically	94.51%	95.87%	2017, 2018

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

Accounting Services

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
<u>Expenditures by Fund</u>								
1000 - General	4,819	4,960	5,062	5,447	5,460	5,460	5,460	5,460
Total	4,819	4,960	5,062	5,447	5,460	5,460	5,460	5,460
Biennial Change				730		411		411
Biennial % Change				7		4		4
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Compensation	4,512	4,739	4,895	5,135	5,148	5,148	5,148	5,148
Operating Expenses	305	215	166	307	307	307	307	307
Other Financial Transaction	2	6	0	5	5	5	5	5
Total	4,819	4,960	5,062	5,447	5,460	5,460	5,460	5,460

Full-Time Equivalents

	47.11	47.53	46.73	47.50	47.50	46.50	47.50	46.50
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Accounting Services

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
1000 - General								
Balance Forward In		167						
Direct Appropriation	13,938	14,012	14,031	14,042	5,460	5,460	5,460	5,460
Transfers In		16		374				
Transfers Out	8,966	9,228	8,969	8,969				
Cancellations	0	7	0					
Balance Forward Out	153		0					
Expenditures	4,819	4,960	5,062	5,447	5,460	5,460	5,460	5,460
Biennial Change in Expenditures				730		411		411
Biennial % Change in Expenditures				7		4		4
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	47.11	47.53	46.73	47.50	47.50	46.50	47.50	46.50

Program: Statewide Services

Activity: Budget Services

mn.gov/mmb/

AT A GLANCE

- Provide budget assistance, guidance, instructions, monitoring, implementation, and oversight to more than 100 agencies for the state’s \$84 billion biennial budget
- Develop and present to the Legislature the Governor’s operating and capital budget recommendations
- Annually release February and November budget and economic forecasts
- Release Results First findings regarding the effectiveness of programs in 2-3 new policy areas each year

PURPOSE & CONTEXT

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

SERVICES PROVIDED

Budget Services meets customer needs by:

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

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Percentage of survey respondents indicating overall satisfaction with the budget systems (Budget Planning & Analysis System – BPAS, Fiscal Note Tracking System – FNTS, Appropriation Maintenance Application – AMA, Capital Budget System – CBS)	BPAS – 74% FNTS – 83%	BPAS – 79% FNTS – 87% AMA – 95% CBS – 93%	2015, 2017

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Proportion of policy maker respondents familiar with Results First findings who use this information about program effectiveness in decision-making.	44%	53%	2017, 2018

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

Budget Services

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
1000 - General	3,027	3,546	3,439	4,095	3,893	3,893	4,098	4,145
2001 - Other Misc Special Revenue	78	34	178					
2365 - Opioid Stewardship								498
Total	3,105	3,580	3,617	4,095	3,893	3,893	4,098	4,643
Biennial Change				1,028		74		1,029
Biennial % Change				15		1		13
Governor's Change from Base								955
Governor's % Change from Base								12
<u>Expenditures by Category</u>								
Compensation	2,959	3,423	3,503	3,701	3,710	3,710	3,915	4,402
Operating Expenses	145	147	114	394	183	183	183	241
Other Financial Transaction	1	10						
Total	3,105	3,580	3,617	4,095	3,893	3,893	4,098	4,643
<u>Full-Time Equivalents</u>								
	27.32	29.35	30.59	30.50	29.80	29.00	31.90	36.10

Budget Services

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
1000 - General								
Balance Forward In		442		211				
Direct Appropriation	4,633	4,681	3,443	3,451	3,686	3,686	3,891	3,938
Transfers In	547	207	207	433	207	207	207	207
Transfers Out	1,709	1,780						
Cancellations	3	4						
Balance Forward Out	441		211					
Expenditures	3,027	3,546	3,439	4,095	3,893	3,893	4,098	4,145
Biennial Change in Expenditures				961		252		709
Biennial % Change in Expenditures				15		3		9
Governor's Change from Base								457
Governor's % Change from Base								6
Full-Time Equivalents	26.89	28.25	28.53	30.50	29.80	29.00	31.90	31.50

2001 - Other Misc Special Revenue

Balance Forward In		62	178					
Receipts	100	150						
Balance Forward Out	22	178						
Expenditures	78	34	178					
Biennial Change in Expenditures				67		(178)		(178)
Biennial % Change in Expenditures				60				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	0.43	1.10	2.06					

2365 - Opioid Stewardship

Direct Appropriation								498
Expenditures								498
Biennial Change in Expenditures				0		0		498
Biennial % Change in Expenditures								
Governor's Change from Base								498
Governor's % Change from Base								
Full-Time Equivalents								4.60

Program: Statewide Services

Activity: Economic Analysis

mn.gov/mmb/

AT A GLANCE

Provides revenue forecasts and reports changes in the national and state economic outlook to state leaders and the public at regular intervals and through speaking engagements and press interviews. Outputs (# per year)

- Budget and Economic Forecast (2)
- Revenue and Economic Update (4)
- Monthly Revenue Memo (8)
- Budget Reserve Report (1)
- Revenue Forecast Uncertainty Report (2)
- Rating Agency Presentation (3)
- Data for bond sale Official Statement (2-3)
- Public Speaking Engagements (20+ events, reaching 1000+ individuals)
- Media Contacts (30+)

Resources

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

PURPOSE and CONTEXT

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

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

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

SERVICES PROVIDED

- Credible and timely forecasts of major state general fund revenue sources. This includes taxes on personal income, general sales, corporate income, deed transfers and mortgage registries, insurance gross receipts, and other sources.
- Quarterly and monthly comparisons of forecast revenue with actual collections for major state general fund sources.

- Clear and timely information about the state economy, including forecasts of employment, income, and other measures of economic activity.
- Analysis of the volatility of major state revenue sources and their components. Through this analysis, we estimate the appropriate size for a state rainy day fund as required by state law (M.S. 16A.152).
- Analysis of uncertainty in Minnesota's revenue projections as required by state law (M.S. 16A.103).

RESULTS

Accurate forecasts reduce disruption from short-term budget adjustments and contribute to the state's financial stability. A forecast error—the percentage difference between the level of revenues forecast and the amount actually collected—can be a gauge of forecast accuracy. Actual collections never precisely match the forecast, in part because we cannot fully anticipate how unforeseen changes in the national economy or in federal tax laws will affect state revenues. Moreover, uncertainty about the revenue impacts of changes in state tax laws can add to forecast errors. Nonetheless, revenue forecast errors provide a base performance measure for the primary activities of Economic Analysis.

A biennium is part of the February forecast three times: 29, 17, and 5 months from the time the biennium closes. We focus our error calculations on the first February forecast (29 months before closing), because that is the forecast on which the original budget for the biennium is based. To determine whether our accuracy is generally improving over time, we compare the average percentage errors from the most recent three biennia to the errors over the longer term. We find that the more recent forecast error (3.6 percent) is lower than the long-term average error (5.1 percent). This means that the accuracy of the first February revenue forecast has **improved** compared to the long-term average.

	<i>Long-term average forecast error (FY90-91 to FY16-17)</i>	<i>Recent average forecast error (FY12-13 to FY16-17)</i>	<i>Trend in accuracy</i>
1st February forecast (+29 months from actual)	5.1%	3.6%	Improved

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

Economic Analysis

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
<u>Expenditures by Fund</u>								
1000 - General	561	558	547	590	574	574	574	574
Total	561	558	547	590	574	574	574	574
Biennial Change				17			11	11
Biennial % Change				2			1	1
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Compensation	338	307	325	326	327	327	327	327
Operating Expenses	224	251	222	264	247	247	247	247
Other Financial Transaction		1						
Total	561	558	547	590	574	574	574	574

Full-Time Equivalents

	3.04	3.03	3.04	3.00	3.00	3.00	3.00	3.00
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Economic Analysis

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
1000 - General								
Balance Forward In		39		17				
Direct Appropriation	456	481	548	549	574	574	574	574
Transfers In	183	130	16	24				
Transfers Out	77	90						
Cancellations		1						
Balance Forward Out	0		17					
Expenditures	561	558	547	590	574	574	574	574
Biennial Change in Expenditures				17		11		11
Biennial % Change in Expenditures				2		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	3.04	3.03	3.04	3.00	3.00	3.00	3.00	3.00

Program: Statewide Services
Activity: Debt Management

mn.gov/mmb/

AT A GLANCE

- Current bond ratings: AAA/Aa1/AAA with Standard & Poor’s, Moody’s and Fitch
- \$6.5 billion of general obligation bonds currently outstanding, including \$858 million issued in CY 2017 and \$620 million issued in CY 2018
- \$1.5 billion of other tax-supported debt currently outstanding, including \$20.3 million issued in CY 2017 and anticipated \$30 million issued in CY 2018
- \$64.0 million of revenue bonds currently outstanding
- \$37 million outstanding balance in Master Lease Programs that finance technology and fleet services
- Debt managed to established Capital Investment Guidelines and to meet federal tax and securities law requirements

PURPOSE & CONTEXT

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

The bonds and other debt we sell finance and refinance authorized capital projects and programs. When selling bonds, the division seeks to minimize cost and risk to the state. Obtaining high credit ratings is important for achieving low interest rates, and we maintain active relationships with the national credit rating agencies. The current debt portfolio continues to be in compliance with the established Capital Investment Guidelines.

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

SERVICES PROVIDED

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

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

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	<p>The state’s general obligation bond ratings as of July 2016 compared to July 2018. In 2016, Fitch upgraded the state’s rating from AA+ to AAA. In 2018, Standard & Poor’s upgraded the state’s rating from AA+ to AAA.</p> <ul style="list-style-type: none"> • Moody’s • Standard & Poor’s • Fitch 	<p>Aa1 (stable) AA+ (positive) AAA (stable)</p>	<p>Aa1 (stable) AAA (stable) AAA (stable)</p>	<p>July 2016, July 2018</p>
Results	<p>Capital Investment Guidelines</p> <ul style="list-style-type: none"> • Total tax-supported principal outstanding as a percent of state personal income (target: not greater than 3.25%) • Total amount of principal (both issued, and authorized but unissued) as a percent of state personal income (target: not greater than 6.0%) • General obligation bonds scheduled to mature quickly (target: 40% within five years and 70% within 10 years) 	<p>2.91% 3.95% 40.3%/71.2%</p>	<p>2.58% 3.85% 42.1%/73.4%</p>	<p>February 2016, February 2018 June 30, 2016, June 30, 2018</p>
Results	<p>A comparison of the interest rates from year 1 to 10 of state general obligation bonds sold compared to a municipal bond index for AAA-rated bonds.</p>	<p>The state’s interest rates were slightly higher than the index (0.04%)</p>	<p>The state’s interest rates were slightly higher than the index (0.03%)</p>	<p>August 2016, August 2018</p>

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

Debt Management

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
1000 - General	451	370	489	526	508	508	508	508
Total	451	370	489	526	508	508	508	508
Biennial Change				195		1		1
Biennial % Change				24		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Compensation	441	360	474	476	477	477	477	477
Operating Expenses	9	10	15	50	31	31	31	31
Other Financial Transaction		0						
Total	451	370	489	526	508	508	508	508
<u>Full-Time Equivalents</u>								
	3.70	3.08	3.44	4.00	4.00	4.00	4.00	4.00

Debt Management

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
1000 - General								
Balance Forward In		17		19				
Direct Appropriation	467	474	475	476	508	508	508	508
Transfers In	11	1	33	31				
Transfers Out	11	122						
Cancellations		1						
Balance Forward Out	16		19					
Expenditures	451	370	489	526	508	508	508	508
Biennial Change in Expenditures				195		1		1
Biennial % Change in Expenditures				24		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	3.70	3.08	3.44	4.00	4.00	4.00	4.00	4.00

Program: Statewide Services**Activity: Enterprise Human Capital**mn.gov/mmb/

AT A GLANCE

- Enhanced the reputation of the state as an employer of choice and worked to attract and retain more people to state service with improved recruiting and retention strategies including pipeline programs, recruiting events, employee and community engagement, and a unified brand
- Supported a diverse workforce and inclusive culture through enhanced training, new programs (Connect700), and internal communication and events
- Created a safer workplace through our pioneering work on the prevention of sexual harassment, including greater emphasis on policy and training for leaders and staff
- Supported employee development with targeted programs: supervisor/manager core (1,111 participants), emerging leaders institute/senior leaders institute 201 participants)
- Managed three enterprise systems that process employee information, benefits, training, and over 19,000 job applications per month on average
- Updated several enterprise policies and procedures, and continuous improve work processes to capture efficiencies

PURPOSE & CONTEXT

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

SERVICES PROVIDED

- Deliver innovative and strategic human resources (HR) solutions that align with business needs and contribute to the delivery of exceptional public services.
- Monitor changes in laws that affect human resource operations in state agencies. Research, develop, and deploy the EHC policy infrastructure, and provide training and guidance to ensure agencies are in compliance with law and other authorities.
- Provide consultation and auditing assistance to ensure agencies' HR offices are using best practices, and eliminating inefficient or ineffective practices.
- Develop and maintain systems to record, manage, and retrieve HR data and resources. These systems include application processing, learning management, and employee record management, and payroll.
- Develop and deploy the state's compensation, classification, selection, pay equity, and talent strategy programs. Provide consultation and services to support agency HR operations.
- Research, plan, and manage projects to develop or update HR programs, services, and systems.
- Deliver training and development courses to sharpen employee skills in current roles, develop potential for advancement, and elevate leadership effectiveness.
- Provide diversity and inclusion training to foster a respectful productive workplace serving all Minnesotans.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of agency audits opened and completed in most recent fiscal year.	4 opened, 2 closed	7 opened, 2 closed	FY2016 FY2018
Quantity	Executive branch demographics as of fiscal year end <ul style="list-style-type: none"> • Females • Minorities • Individuals with disabilities • Veterans 	49.8% 11% 6.2% 7.3%	50.0% 13.1% 7% 7.06%	FY2016 FY2018
Quantity	Number of managers and supervisors who completed required training: <ul style="list-style-type: none"> • Diversity and Inclusion • Sexual Harassment and Prevention 	90 82	4,637 260	FY2017 FY2018
Quality	Average survey response from participants rating the effectiveness of training courses (rating scale 1-5, 5 is best): <ul style="list-style-type: none"> • Diversity and Inclusion • Sexual Harassment and Prevention 	NA NA	4.1 and higher 4.2 and higher	FY2017 FY2018
Quantity	% of employees receiving yearly performance feedback	96%	95%	FY2016 FY2017*

* Data for FY2018 not yet available.

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

Enterprise Human Capital

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
1000 - General	3,038	3,176	3,462	3,751	3,753	3,753	4,921	4,621
2000 - Restrict Misc Special Revenue	69	69	78	74	74	74	74	74
2001 - Other Misc Special Revenue	348	243	368	853	536	538	58	60
5200 - Management Analysis	1,506	1,679	3,286	5,441	5,477	6,180	5,477	6,180
Total	4,961	5,167	7,195	10,119	9,840	10,545	10,530	10,935
Biennial Change				7,186		3,071		4,151
Biennial % Change				71		18		24
Governor's Change from Base								1,080
Governor's % Change from Base								5

Expenditures by Category

Compensation	3,915	4,082	4,731	5,986	5,902	5,906	6,379	6,382
Operating Expenses	1,042	1,079	2,463	4,087	3,892	4,593	4,105	4,507
Grants, Aids and Subsidies	0							
Capital Outlay-Real Property			0					
Other Financial Transaction	4	5	0	46	46	46	46	46
Total	4,961	5,167	7,195	10,119	9,840	10,545	10,530	10,935

Full-Time Equivalent

	39.16	39.10	43.99	47.64	49.00	49.00	51.00	51.00
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Enterprise Human Capital

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
1000 - General								
Balance Forward In		391		7				
Direct Appropriation	3,209	3,256	3,469	3,478	3,753	3,753	4,921	4,621
Transfers In	288	213		266				
Transfers Out	85	675						
Cancellations		9						
Balance Forward Out	374		7					
Expenditures	3,038	3,176	3,462	3,751	3,753	3,753	4,921	4,621
Biennial Change in Expenditures				1,000		293		2,329
Biennial % Change in Expenditures				16		4		32
Governor's Change from Base								2,036
Governor's % Change from Base								27
Full-Time Equivalents	29.11	29.63	30.83	33.80	30.00	30.00	35.00	35.00

2000 - Restrict Misc Special Revenue

Balance Forward In	7	8	9	10	10	10	10	10
Receipts	71	70	79	74	74	74	74	74
Balance Forward Out	8	9	10	10	10	10	10	10
Expenditures	69	69	78	74	74	74	74	74
Biennial Change in Expenditures				13		(4)		(4)
Biennial % Change in Expenditures				10		(3)		(3)
Governor's Change from Base								0
Governor's % Change from Base								0

2001 - Other Misc Special Revenue

Balance Forward In	120	39	203	321	6	8	6	8
Receipts	78	255	299	192	192	192	60	60
Transfers In	190	301	347	346	346	346	0	0
Transfers Out		150	160					
Balance Forward Out	39	203	320	6	8	8	8	8
Expenditures	348	243	368	853	536	538	58	60
Biennial Change in Expenditures				630		(147)		(1,103)
Biennial % Change in Expenditures				107		(12)		(90)
Governor's Change from Base								(956)

Enterprise Human Capital

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Governor's % Change from Base								(89)
Full-Time Equivalents	1.80	1.78	2.82	3.50	3.00	3.00	0.00	0.00

5200 - Management Analysis

Balance Forward In	215	226	640	1,752	1,246	1,412	1,246	1,412
Receipts	1,503	2,023	4,398	4,935	5,643	6,008	5,643	6,008
Balance Forward Out	212	570	1,752	1,246	1,412	1,240	1,412	1,240
Expenditures	1,506	1,679	3,286	5,441	5,477	6,180	5,477	6,180
Biennial Change in Expenditures				5,543		2,930		2,930
Biennial % Change in Expenditures				174		34		34
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	8.25	7.69	10.34	10.34	16.00	16.00	16.00	16.00

6000 - Miscellaneous Agency

Balance Forward In	46	46	46	46	46	46	46	46
Balance Forward Out	46	46	46	46	46	46	46	46

Program: Statewide Services**Activity: Labor Relations**mn.gov/mmb/

AT A GLANCE

- The State of Minnesota is the state's largest employer with approximately 52,000 employees in 2018.
- Negotiated 9 labor agreements covering 38,000 employees in 2017-2018.
- Directed review and resolution of 354 grievances from July 1, 2016 through June 30, 2018.
- Conducted 56 training modules in the areas of labor relations and investigations for state managers, supervisors and human resources professionals.

PURPOSE & CONTEXT

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

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

SERVICES PROVIDED

Collective Bargaining

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

Administration of Collective Bargaining Agreements

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

Representation and Advocacy

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

RESULTS

We believe strategies are working if:

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Percentage of contract negotiations that result in voluntary negotiated settlements consistent with State’s ability to pay	90%	90%	July 1, 2016, June 30, 2018
Results	Ratified labor agreements receive approval by full legislature	100%	100%	July 1, 2016, June 30, 2018
Results	Grievance arbitration awards upholding the state’s position (denial of the grievance)	9 (of 13)	5 (of 12)	July 1, 2016, June 30, 2018

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

Labor Relations

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
1000 - General	810	779	818	1,501	1,198	1,198	1,198	1,198
2001 - Other Misc Special Revenue	302	201	534	350	350	350	350	350
Total	1,112	981	1,352	1,851	1,548	1,548	1,548	1,548
Biennial Change				1,110		(107)		(107)
Biennial % Change				53		(3)		(3)
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Compensation	789	758	756	944	946	946	946	946
Operating Expenses	324	221	595	905	600	600	600	600
Other Financial Transaction		1	1	2	2	2	2	2
Total	1,112	981	1,352	1,851	1,548	1,548	1,548	1,548
<u>Full-Time Equivalent</u>								
	6.90	6.79	6.73	9.00	8.00	8.00	8.00	8.00

Labor Relations

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
1000 - General								
Balance Forward In		299		305				
Direct Appropriation	1,083	1,099	1,123	1,125	1,198	1,198	1,198	1,198
Transfers In	100	24		71				
Transfers Out	75	640						
Cancellations		3						
Balance Forward Out	298		305					
Expenditures	810	779	818	1,501	1,198	1,198	1,198	1,198
Biennial Change in Expenditures				730		77		77
Biennial % Change in Expenditures				46		3		3
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	6.90	6.79	6.73	9.00	8.00	8.00	8.00	8.00

2001 - Other Misc Special Revenue

Balance Forward In	6	13	35	3	3	3	3	3
Receipts	308	201	502	350	350	350	350	350
Balance Forward Out	12	13	3	3	3	3	3	3
Expenditures	302	201	534	350	350	350	350	350
Biennial Change in Expenditures				381		(184)		(184)
Biennial % Change in Expenditures				76		(21)		(21)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Statewide Services
Activity: Agency Administration

mn.gov/mmb/

AT A GLANCE

- Designed, developed legislation, and managed the premium subsidy program for calendar year 2017 that provided a 25% subsidy to 118,000 Minnesotans, saving them \$137 million in health insurance premium costs
- Provided oversight and managed processes and transactions related to annual \$1 billion budget
- Completed all major financial publications on time—governor’s budget recommendations, February and November economic forecasts, federally mandated financial reports in FY17 and FY18
- Agency human resources staff worked with managers and supervisors to fill 66 vacant positions in FY18
- Compiled over 70 statutorily or legislatively mandated reports

PURPOSE & CONTEXT

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

SERVICES PROVIDED

- Manage the department’s financial operations to maintain compliance with established policies and procedures
- Support and manage about 260 employees by ensuring compliance with statewide and departmental human resources, policies, and procedures
- Coordinate legislative initiatives for Minnesota Management and Budget including legislative outreach, providing agency committee testimony, monitoring of relevant proposed changes to the law, and act as a point of contact for legislative inquiries
- Provide advice on legal compliance and litigation management to MMB and the Governor’s office, and provide employment law advice to human resources staff and management across the executive branch
- Produce several key documents including the governor’s budgets, economic forecasts, and the state’s Comprehensive Annual Financial Report (CAFR)

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Proportion of staff who self-report as minority race or ethnicity	11%	19%	6/30/17 and 6/30/18
Quantity	Proportion of staff who self-report as having a disability	7%	6%	6/30/17 and 6/30/18

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

Agency Administration

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
1000 - General	7,222	69,852	93,784	9,861	9,549	9,549	15,653	10,074
2001 - Other Misc Special Revenue	12,014	7,964	11,299	19,348	11,006	11,036	11,006	11,036
Total	19,236	77,816	105,083	29,209	20,555	20,585	26,659	21,110
Biennial Change				37,240		(93,152)		(86,523)
Biennial % Change				38		(69)		(64)
Governor's Change from Base								6,629
Governor's % Change from Base								16

Expenditures by Category

Compensation	4,355	4,787	3,973	2,981	3,548	3,574	3,940	4,064
Operating Expenses	14,810	16,082	19,466	26,215	16,994	16,998	22,706	17,033
Grants, Aids and Subsidies		56,391	81,529					
Capital Outlay-Real Property	20							
Other Financial Transaction	51	556	115	13	13	13	13	13
Total	19,236	77,816	105,083	29,209	20,555	20,585	26,659	21,110

Full-Time Equivalent

	44.85	47.65	40.44	36.00	36.00	36.00	38.00	39.00
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Agency Administration

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
1000 - General								
Balance Forward In	400	1,788	272,370	85				
Direct Appropriation	7,578	337,462	10,285	10,907	9,621	9,621	15,725	10,146
Transfers In	2,112	7,678	583	145				
Transfers Out	1,107	4,635	706	1,276	72	72	72	72
Cancellations		72	188,662					
Balance Forward Out	1,760	272,370	86					
Expenditures	7,222	69,852	93,784	9,861	9,549	9,549	15,653	10,074
Biennial Change in Expenditures				26,571		(84,547)		(77,918)
Biennial % Change in Expenditures				34		(82)		(75)
Governor's Change from Base								6,629
Governor's % Change from Base								35
Full-Time Equivalents	22.68	24.83	17.26	13.00	13.00	13.00	15.00	16.00

2001 - Other Misc Special Revenue

Balance Forward In	12,398	10,943	13,537	12,577	3,787	3,339	3,787	3,339
Receipts	10,293	10,286	10,338	10,558	10,558	10,558	10,558	10,558
Transfers In		10						
Transfers Out		0						
Balance Forward Out	10,677	13,275	12,577	3,787	3,339	2,861	3,339	2,861
Expenditures	12,014	7,964	11,299	19,348	11,006	11,036	11,006	11,036
Biennial Change in Expenditures				10,669		(8,605)		(8,605)
Biennial % Change in Expenditures				53		(28)		(28)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	22.17	22.82	23.18	23.00	23.00	23.00	23.00	23.00

Program: Statewide Services**Activity: Enterprise Communications and Planning**mn.gov/mmb

AT A GLANCE

- Supported internal and external stakeholders in effectively and efficiently executing financial, human resources, and other key enterprise activities, through the use of coordinated communications, strategic planning, consistent branding, plain language, accessibility, and improved digital formats
- Tracked 182 interactions with agencies in the Internal Control and Accountability unit in FY 2017
- Provided over 16,000 hours of consulting services on 117 projects for 32 client agencies in FY 2018
- Manage and ensure the consistent operation of five enterprise systems annually
- Ensure state agencies have and communicate procedures that allow state government to continue its essential operations in case of a catastrophic event

PURPOSE & CONTEXT

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

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

SERVICES PROVIDED

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

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Percent of agency heads that submitted the annual internal control certification	98.7%	98.7%	FY2016, FY2017
Quality	Organizations improved due to Management Analysis and Development (MAD) work, according to post-engagement client feedback questionnaires	98%	98%	FY2017, FY2018
Quantity	Demand for Management Analysis and Development services <ul style="list-style-type: none"> • Total consulting hours • Number of projects • Number of agencies served 	13,500 122 27	16,000 117 32	FY2017, FY2018
Results	Conduct continuity of government planning and exercises with invited representatives of executive (cabinet), judicial, and legislative branches.	100% participation	100% participation	FY2017, FY2018
Results	Percent statewide system user survey respondents reporting overall satisfaction with the system at neutral or above: <ul style="list-style-type: none"> • Budget Planning and Analysis System (BPAS) • Fiscal Note Tracking System (FNTS) • SEMA4 • Enterprise Learning Management (ELM) • Statewide Integrated Financial Tools (SWIFT) 	74% 83% 86% 57% 73%	79% 87% 98% n/a 86%	2015, 2017
Quality	Engagement rate from email communication campaigns designed to build employee/public awareness. Engagement rate shows how many of our email (GovDelivery) subscribers are interacting with our content and responding to our communication efforts over time. 30% or higher is considered good.	44.8%	47.4%	FY2017, FY2018

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

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
<u>Expenditures by Fund</u>								
1000 - General			975	1,404	1,146	1,146	1,146	1,146
5200 - Management Analysis	6,043	5,805	6,380	6,531	6,752	6,940	6,752	6,940
Total	6,043	5,805	7,355	7,935	7,898	8,086	7,898	8,086
Biennial Change				3,442		694		694
Biennial % Change				29		5		5
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Compensation	1,829	1,453	2,872	3,450	3,549	3,622	3,549	3,622
Operating Expenses	4,208	4,351	4,471	4,456	4,331	4,446	4,331	4,446
Capital Outlay-Real Property		0	0					
Other Financial Transaction	6	1	12	29	18	18	18	18
Total	6,043	5,805	7,355	7,935	7,898	8,086	7,898	8,086
<u>Full-Time Equivalents</u>								
	17.23	15.03	25.52	29.90	29.40	29.40	29.40	29.40

Enterprise Communications and Planning

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
1000 - General								
Balance Forward In				99				
Direct Appropriation			1,074	1,076	1,146	1,146	1,146	1,146
Transfers In				229				
Balance Forward Out			99					
Expenditures			975	1,404	1,146	1,146	1,146	1,146
Biennial Change in Expenditures				2,379		(87)		(87)
Biennial % Change in Expenditures						(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			8.02	8.50	8.00	8.00	8.00	8.00

2001 - Other Misc Special Revenue

Balance Forward In	0	0						
Transfers Out		0						
Balance Forward Out	0							

5200 - Management Analysis

Balance Forward In	963	872	1,095	1,218	1,218	1,166	1,218	1,166
Receipts	5,814	5,971	6,504	6,531	6,700	6,850	6,700	6,850
Balance Forward Out	734	1,038	1,218	1,218	1,166	1,076	1,166	1,076
Expenditures	6,043	5,805	6,380	6,531	6,752	6,940	6,752	6,940
Biennial Change in Expenditures				1,063		781		781
Biennial % Change in Expenditures				9		6		6
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	17.23	15.03	17.50	21.40	21.40	21.40	21.40	21.40

Program: Statewide Insurancemn.gov/mmb/**AT A GLANCE**

- Provides insurance benefits to over 129,000 state employees, dependents, and retirees annually in all three branches of state government, Minnesota State Colleges and Universities, and certain quasi-state agencies
- Through innovative benefit design, encourages members to use the most efficient health care providers. In 2018, 91.9% of SEGIP members were enrolled in primary care clinics assigned to the lowest cost levels
- Through 2017, 6,400 state employees lost more than 48,400 pounds through an innovative diabetes prevention program launched in 2015
- In calendar year 2017, SEGIP collected \$945.6 million in insurance premiums and administrative fees from state agencies, employees/retirees, and other participating groups
- Health insurance accounted for approximately 90% of premiums and fees in 2017, while all other benefits combined accounted for the remaining 10%
- Public Employees Insurance Program (PEIP) provides insurance benefits to 35,000 active employees, their dependents, and retirees in 247 **public sector employer groups** (113 school districts, 76 cities and townships, 20 counties, and 38 other units of government)

PURPOSE & CONTEXT

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

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

The Public Employees Insurance Program (PEIP), is a health, dental, and life insurance pool offered to local units of government to help public sector employers obtain competitive health insurance rates.

SERVICES PROVIDED

- SEGIP's health insurance plan, the Minnesota Advantage Health Plan, is a self-insured plan. The plan has a tiered network design that encourages members to choose primary care clinics that are most cost-efficient while still allowing access to higher-cost clinics. Because the state is such a large purchaser of health care, this benefit design also enables the state to obtain better prices from providers that wish to be placed in the most favorable cost tiers which attract the most members. In this way, SEGIP is able to maintain a broad choice of providers while also containing cost growth.
- SEGIP promotes employee health and wellness, which supports greater workplace productivity and helps to contain health care cost growth. For example, SEGIP offers financial incentives for employees to complete an annual health risk assessment survey, with opportunities for follow-up coaching or online programs to reduce health risks. Other prevention initiatives include a successful diabetes prevention

program and annual flu shot clinics. SEGIP's health plan administrators also identify and engage members with conditions like diabetes, asthma, back pain, and depression in order to better manage their conditions and improve health.

- SEGIP's contracts with medical, dental, and pharmacy administrators include incentives related to cost management, health outcomes, and provider network management and operational performance. In addition, SEGIP has some incentive arrangements directly with provider groups that include accountability for total cost of care and quality metrics.
- SEGIP supports expanded use of value-based payment arrangements between health care providers and our health plan administrators. Compared to traditional fee for service payments, value-based payment arrangements include stronger incentives related to cost containment and quality.
- Health Plan adult members diagnosed with diabetes have access to Advantage Value for Diabetes (AVD) benefit which reduces out-of-pocket costs for certain high-value medical services, prescription drugs, and testing supplies which reduces the progression of diabetes and the risk of costly complications. AVD pilot began January 1, 2018.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Result	Percent of medical expenditures made through value-based payment methods	60.1%	54.1%	2016, 2017
Result	Percent of plan participants enrolled in primary care clinics at the two lowest cost levels	93.3%	91.9%	2017, 2018
Result	Number of prediabetes program participants who have reduced their risk by 50% or more	1,678	1,966	2016, 2017
Results	<i>PEIP medical claims costs (per member per month). PEIP's goal is for these costs to increase at or below the current industry standard of 2 – 9 % for national programs.</i>	1.5%	-5.9%	6/30/15-6/30/16, 6/30/16-6/30/17

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

Statewide Insurance Programs

Program Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<i>Expenditures by Fund</i>								
4700 - Public Employees Insurance	100,664	106,279	156,327	163,777	170,815	176,855	170,815	176,855
5600 - State Employees Insurance	859,348	874,002	928,897	979,791	1,046,258	1,113,239	1,046,258	1,113,239
6000 - Miscellaneous Agency	33,146	34,044	35,430	37,340	37,320	37,300	37,320	37,300
Total	993,159	1,014,326	1,120,654	1,180,908	1,254,393	1,327,394	1,254,393	1,327,394
Biennial Change				294,078		280,225		280,225
Biennial % Change				15		12		12
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Activity

State Employee Group Ins Pgrm	892,494	908,047	964,327	1,017,131	1,083,578	1,150,539	1,083,578	1,150,539
Public Employees Insurance Pgrm	100,664	106,279	156,327	163,777	170,815	176,855	170,815	176,855
Total	993,159	1,014,326	1,120,654	1,180,908	1,254,393	1,327,394	1,254,393	1,327,394

Expenditures by Category

Compensation	4,052	4,371	4,695	4,584	5,114	5,163	5,114	5,163
Operating Expenses	989,096	1,009,937	1,115,956	1,176,320	1,249,274	1,322,226	1,249,274	1,322,226
Other Financial Transaction	11	18	3	4	5	5	5	5
Total	993,159	1,014,326	1,120,654	1,180,908	1,254,393	1,327,394	1,254,393	1,327,394

Full-Time Equivalents

	43.43	45.58	47.63	48.39	51.25	51.25	51.25	51.25
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Statewide Insurance Programs

Program Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
4700 - Public Employees Insurance								
Balance Forward In	35,072	44,770	61,739	78,235	91,335	104,525	91,335	104,525
Receipts	110,357	123,248	172,823	176,877	184,005	191,415	184,005	191,415
Balance Forward Out	44,765	61,739	78,235	91,335	104,525	119,085	104,525	119,085
Expenditures	100,664	106,279	156,327	163,777	170,815	176,855	170,815	176,855
Biennial Change in Expenditures				113,161		27,566		27,566
Biennial % Change in Expenditures				55		9		9
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	1.55	1.57	1.54	1.30	1.30	1.30	1.30	1.30

5600 - State Employees Insurance

Balance Forward In	249,092	225,021	256,829	292,344	309,877	306,212	309,877	306,212
Receipts	834,935	904,775	964,430	997,345	1,042,614	1,098,935	1,042,614	1,098,935
Transfers In	83,456	6,160	2,113	900	900	900	900	900
Transfers Out	83,476	6,180	2,133	921	921	921	921	921
Balance Forward Out	224,659	255,774	292,342	309,877	306,212	291,887	306,212	291,887
Expenditures	859,348	874,002	928,897	979,791	1,046,258	1,113,239	1,046,258	1,113,239
Biennial Change in Expenditures				175,337		250,809		250,809
Biennial % Change in Expenditures				10		13		13
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	41.88	44.01	46.09	47.09	49.95	49.95	49.95	49.95

6000 - Miscellaneous Agency

Balance Forward In	5,477	5,037	5,642	7,286	7,148	8,530	7,148	8,530
Receipts	32,705	34,650	37,074	37,202	38,702	38,702	38,702	38,702
Balance Forward Out	5,037	5,642	7,286	7,148	8,530	9,932	8,530	9,932
Expenditures	33,146	34,044	35,430	37,340	37,320	37,300	37,320	37,300
Biennial Change in Expenditures				5,580		1,850		1,850
Biennial % Change in Expenditures				8		3		3
Governor's Change from Base								0
Governor's % Change from Base								0

Minnesota Management and Budget

MAD/ETD

5200 Management Analysis and Development

Revenues, Expenses and Changes in Net Assets

(Dollars in Thousands)

	Actual 2018	Projected 2019	Projected 2020	Projected 2021
Operating Revenues:				
Net Sales	6,462	6,531	6,700	6,850
Rental and Service Fees				
Insurance Premiums				
Other Income	4,400	4,935	5,643	6,008
Total Operating Revenues	10,862	11,466	12,343	12,858
Gross Margin	10,862	11,466	12,343	12,858
Operating Expenses:				
Purchased Services	5,291	6,909	7,140	7,830
Salaries and Fringe Benefits	3,191	4,329	4,379	4,455
Claims				
Depreciation				
Amortization				
Supplies and Materials	211	510	420	470
Indirect Costs	4	62	85	110
Other Expenses	1	162	205	255
Total Operating Expenses	8,698	11,972	12,229	13,120
Operating Income (Loss)	2,164	(506)	114	(262)
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financing Costs				
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	0	0	0	0
Income (Loss) Before Transfers and Contributions	2,164	(506)	114	(262)
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	2,164	(506)	114	(262)
Net Assets, Beginning as Reported	(1,282)	882	376	490
Net Assets, Ending	882	376	490	228
Rate increase/(decrease)				
Full Time Equivalents (FTE)	27.8	31.7	37.4	37.4

Minnesota Management and Budget

MAD/ETD

5200 Management Analysis and Development

Net Assets

(Dollars in Thousands)

	Actual 2018	Projected 2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	3,319	3,000
Investments		
Accounts Receivable	1,328	838
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	4,647	3,838
Noncurrent Assets:		
Deferred Costs	2,724	2,724
Depreciable Capital Assets (Net)		
Total Noncurrent Assets	2,724	2,724
Total Assets	7,371	6,562
LIABILITIES		
Current Liabilities:		
Accounts Payable	803	500
Interfund Payables		
Unearned Revenue		
Loans Payable		
Compensated Absences Payable	29	29
Total Current Liabilities	832	529
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	3,704	3,704
Other Liabilities	1,953	1,953
Total Noncurrent Liabilities	5,657	5,657
Total Liabilities	6,489	6,186
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Unrestricted	882	376
Total Net Assets	7,371	6,562

Minnesota Management and Budget

MAD/ETD

5200 Management Analysis and Development

Brief Narrative

Background:

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

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

Not applicable

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

Not applicable

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

Not applicable

Explain any reasons for rate changes:

Not applicable

Impact of rate changes on affected agencies:

Not applicable

Minnesota Management and Budget

State Employees Group Insurance Program (SEGIP) State Employees Insurance - Fund 5600

Revenues, Expenses and Changes in Net Assets

(Dollars in Thousands)

	Actual 2018	Projected 2019	Projected 2020	Projected 2021
Operating Revenues:				
Net Sales				
Rental and Service Fees				
Insurance Premiums	952,723	985,832	1,031,060	1,087,517
Other Income	7,815	7,850	7,875	7,900
Total Operating Revenues	960,538	993,682	1,038,935	1,095,417
Gross Margin	960,538	993,682	1,038,935	1,095,417
Operating Expenses:				
Purchased Services	74,195	84,778	86,918	90,210
Salaries and Fringe Benefits	5,568	4,401	4,924	4,965
Claims	844,550	890,120	953,436	1,017,360
Depreciation				
Amortization				
Supplies and Materials	3	13	15	16
Indirect Costs	9	20	21	22
Other Expenses	415	459	944	675
Total Operating Expenses	924,740	979,791	1,046,258	1,113,248
Operating Income (Loss)	35,798	13,891	(7,323)	(17,831)
Nonoperating Revenues (Expenses):				
Investment Income	4,374	3,663	3,679	3,518
Interest and Financing Costs				
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	4,374	3,663	3,679	3,518
Income (Loss) Before Transfers and Contributions	40,172	17,554	(3,644)	(14,313)
Capital Contributions				
Transfers in				
Transfers out	(20)			
Change in Net Assets	40,152	17,554	(3,644)	(14,313)
Net Assets, Beginning as Reported	167,968	208,120	225,674	222,030
Net Assets, Ending	208,120	225,674	222,030	207,717
Rate increase/(decrease)		8%	2%	7%
Full Time Equivalents (FTE)	46.1	47.1	50.0	50.0

Minnesota Management and Budget

State Employees Group Insurance Program (SEGIP)

State Employees Insurance - Fund 5600

Net Assets

(Dollars in Thousands)

	Actual 2018	Projected 2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	295,291	317,554
Investments		
Accounts Receivable	24,135	24,000
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	319,426	341,554
Noncurrent Assets:		
Deferred Costs	6,365	6,365
Depreciable Capital Assets (Net)		
Total Noncurrent Assets	6,365	6,365
Total Assets	325,791	347,919
LIABILITIES		
Current Liabilities:		
Accounts Payable	22,151	22,000
Interfund Payables		
Unearned Revenue	5,502	5,502
Claims Payable	77,104	81,829
Compensated Absences Payable	50	50
Total Current Liabilities	104,807	109,381
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	8,300	8,300
Other Liabilities	4,564	4,564
Total Noncurrent Liabilities	12,864	12,864
Total Liabilities	117,671	122,245
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Unrestricted	208,120	225,674
Total Net Assets	325,791	347,919

Minnesota Management and Budget

State Employees Group Insurance Program (SEGIP)

State Employees Insurance - Fund 5600

Brief Narrative

Background:

SEGIP administers insurance benefits to over 129,000 employees, retirees, and their dependents.

Medical and Dental insurance are self insured, with the remaining insurance benefits provided on a fully insured basis.

Insurance plans are administered on a Calendar Year basis.

During FY 18, medical insurance premiums represented approximately 90% of the premiums collected by SEGIP.

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

None

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

None

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

Increase in FY 18 primarily reflects income needed to meet the medical plan reserve target of 16.7% by the end of the 2020 Calendar Year.

Explain any reasons for rate changes:

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

The increase in medical premiums is based on a projected 6.75% increase in medical claim costs paid by SEGIP during the 2017 to 2019 Plan Years.

Impact of rate changes on affected agencies:

Insurance benefits paid by agencies are projected to increase by 4.3 % during FY 20, and 5.63 % during FY 21.