



June 19, 2019

The Honorable Julie Rosen
Chair, Senate Finance Committee
2113 Minnesota Senate Building
St. Paul, MN 55155

The Honorable Lyndon Carlson
Chair House Ways and Means Committee
479 State Office Building
St. Paul, MN 55155

The Honorable Richard J. Cohen
Ranking Minority Member, Senate Finance
Committee
2301 Minnesota Senate Building
St. Paul, MN 55155

The Honorable Pat Garofalo
Ranking Minority Member, House Ways and
Means Committee
295 State Office Building
St. Paul, MN 55155

Dear Members:

Minnesota Management and Budget prepared this report on the fiscal year (FY) 2018-19 budget reduction as directed in Minnesota Laws of 2017, 1st Special Session, Chapter 4, Article 1, Section 42.

The law requires the commissioner of Management and Budget to reduce executive branch agency and constitutional office appropriations by \$4,012,000 due to anticipated savings from employees opting out of state health insurance coverage. As permitted by the law, reductions were made from general fund appropriations and non-general funds were transferred to the general fund to reduce the amount of the required general fund reduction. And, as specified in the law, funds established in the constitution or protected by federal law were excluded.

Projected savings from employees opting out of health insurance coverage following open enrollment for 2018 did not total the required \$4,012,000 reduction amount. Therefore, MMB implemented the approach described below to generate the required reductions.

Reduction Methodology

During the 2017 open enrollment for 2018, over 200 employees from the executive branch and constitutional offices opted out of State Employee Group Insurance Program (SEGIP) coverage. For the month of January 2018, this resulted in \$130,168 of budgetary savings in funds that are not established in the state constitution or protected by federal law. The annual savings was projected to total \$1,562,019 for calendar year 2018.

1. The projected \$1,562,019 in savings for FY 2018 was then doubled to calculate an estimated biennial savings of \$3,124,038.
2. The difference between \$3,124,038 in projected biennial savings and \$4,012,000 in required reductions is \$887,962. This difference was allocated to agencies based on FY 2017 actual health insurance spending by agency for all funds, except those established in the state constitution or protected by federal law.

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3. Each agency's total FY18-19 reduction is the sum of its share of the projected biennial savings from employees opting out of coverage in 2018 and the additional reduction allocation, described in #2.
4. Reductions totaling \$4,012,000 were captured through a general fund appropriation reduction or via a transfer from other funds, as applicable, to the general fund.
5. All of the general fund appropriation reductions were made in FY 2018; therefore pursuant to the law, no agency base reductions were made for FY 2020 and FY 2021.

The attached table shows the reductions made by each affected agency by fund.

Any questions regarding this report may be directed to Alisha Cowell at (651) 259-3782 or John Pollard at (651) 201-8039.

Sincerely,



Britta Reitan
State Budget Director

Attachment

cc: Bill Marx, House Fiscal Analysis
Eric Nauman, Senate Fiscal Analysis
Helen Roberts, House Fiscal Analysis
Andrew Erickson, Senate Fiscal Analysis
Legislative Reference Library
MMB Team Leaders and Executive Budget Officers

SEGIP Opt Out Reductions

Agency/Office	General Fund	Other Funds	Total
Administration Department	20,141	77,152	97,293
Administrative Hearings		2,000	2,000
Agriculture Department		51,852	51,852
Animal Health Board	1,000		1,000
Attorney General	93,703		93,703
Bureau of Mediation Services	28,764		28,764
Commerce Department	24,239	12,325	36,564
Corrections Department	311,801		311,801
Cosmetologist Exam Board	14,382		14,382
Dentistry Board		14,382	14,382
Education Department	51,861		51,861
Employment & Economic Development	13,191		13,191
Explore Minnesota Tourism	15,482		15,482
Gambling Control Board		44,147	44,147
Governor's Office	15,382		15,382
Health Department	105,617		105,617
Housing Finance Agency		49,447	49,447
Human Rights	1,000		1,000
Human Services Department	555,803		555,803
Investment Board		1,000	1,000
Iron Range Resources & Rehabilitation Board		1,532	1,532
Labor & Industry Department		23,906	23,906
Lottery		3,500	3,500
Military Affairs Department	22,788		22,788
Minnesota Zoological Garden		18,282	18,282
Management & Budget	20,188		20,188
MN State Colleges & Universities		1,454,986	1,454,986
MN State Academies	33,214		33,214
MNIT Services		256,988	256,988
MNSure		18,082	18,082
Natural Resources Department		111,730	111,730
Nursing Board		1,000	1,000
Office of Higher Education		15,482	15,482
Perpich Center for Arts Education	16,482		16,482
Pollution Control Agency		73,166	73,166
Pharmacy Board		1,000	1,000
Professional Educator Licensing Standards Board	14,382		14,382
Public Safety Department	22,889	68,669	91,558
Public Utilities Commission	1,217		1,217
Revenue Department	175,522		175,522
Secretary of State	2,029		2,029
State Auditor	2,116		2,116
Transportation Department		46,886	46,886
Veterans Affairs Department	100,021		100,021
Water and Soil Resources Board	1,272		1,272
Total	\$1,664,486	\$2,347,514	\$4,012,000