

Table of Contents

Department of Commerce

| | |
|--|----|
| Agency Profile | 1 |
| Agency Expenditure Overview | 4 |
| Agency Financing by Fund | 6 |
| Agency Change Summary | 10 |
| <u>Change Item(s)</u> | 14 |
| <i>State Competitiveness Energy Fund</i> | 14 |
| <i>Utility Grid Reliability Assessment Extension</i> | 18 |
| <i>Insurance Division Staffing and Operations</i> | 21 |
| <i>CFB Body Worn Cameras</i> | 24 |
| <i>Energy Resources and Planning</i> | 26 |
| <i>Pre-Weatherization and Workforce Training</i> | 30 |
| <i>Standardized Plans</i> | 36 |
| <i>Enforcement Division Staffing Realignment</i> | 39 |
| <i>Continued Coverage of Preventive Services</i> | 42 |
| <i>Strengthen Minnesota Homes</i> | 44 |
| <i>Maintain Current Service Levels</i> | 48 |
| <i>Money Transmission Modernization Act</i> | 50 |
| <i>Solar for Schools</i> | 53 |
| <i>Free Primary Care for Minnesotans</i> | 56 |
| <i>Senior Safe - Fraud Prevention Program Staffing</i> | 59 |
| <i>Legalizing Adult-Use Cannabis</i> | 61 |
| <i>Paid Family and Medical Leave Insurance</i> | 66 |
| <i>Transfer From The Premium Security Account</i> | 69 |
| <u>Program</u> | 70 |
| Financial Institutions Division | 70 |
| <i>Program Narrative</i> | 70 |
| Program Expenditure Overview | 72 |
| Program Financing by Fund | 73 |
| <u>Program</u> | 74 |
| Petroleum Tank Release Cleanup Fund | 74 |
| <i>Program Narrative</i> | 74 |
| Program Expenditure Overview | 76 |
| Program Financing by Fund | 77 |
| <u>Program</u> | 78 |
| Regulatory and Administrative Services Division | 78 |
| <i>Program Narrative</i> | 78 |
| Program Expenditure Overview | 81 |
| Program Financing by Fund | 82 |
| <u>Program</u> | 83 |
| Enforcement Division | 83 |
| <i>Program Narrative</i> | 83 |
| Program Expenditure Overview | 85 |
| Program Financing by Fund | 86 |

| | |
|--|-----|
| <u>Program</u> | 88 |
| Telecommunications | 88 |
| <i>Program Narrative</i> | 88 |
| Program Expenditure Overview | 90 |
| Program Financing by Fund | 91 |
| <u>Program</u> | 92 |
| Division of Energy Resources | 92 |
| <i>Program Narrative</i> | 92 |
| Program Expenditure Overview | 95 |
| Program Financing by Fund | 96 |
| <u>Program</u> | 98 |
| Weights & Measures Division | 98 |
| <i>Program Narrative</i> | 98 |
| Program Expenditure Overview | 100 |
| Program Financing by Fund | 101 |
| <u>Program</u> | 102 |
| Insurance Division | 102 |
| <i>Program Narrative</i> | 102 |
| Program Expenditure Overview | 104 |
| Program Financing by Fund | 105 |
| <u>Program</u> | 108 |
| Minnesota Premium Security Plan | 108 |
| <i>Program Narrative</i> | 108 |
| Program Expenditure Overview | 110 |
| Program Financing by Fund | 111 |
| <u>Additional Documents</u> | 112 |
| <i>Federal Funds Summary</i> | 112 |

<https://mn.gov/commerce/>

AT A GLANCE

- **127,600:** Minnesota households served by the Energy Assistance Program in FFY 2022, totaling \$225 million in energy bills paid.
- **207:** State-chartered banks in Minnesota regulated by the Department.
- **\$425 billion:** Amount of assets held by Minnesota domestic insurers regulated by the Insurance Division in CY 2021, a 2 percent increase from CY 2020.
- **272,882:** Number of active licenses issued by the Commerce Department’s Licensing Unit to individual Minnesotans and businesses.
- **\$377.8 million:** Total dollar value of property returned to Unclaimed Property claimants since FY 2013.
- **3,740:** Attendees at senior fraud prevention outreach and training presentations held during FY 2022.
- **35,536:** Fuel meters tested at gas stations, bulk plants, airports, and terminals by Department staff in the last biennium.

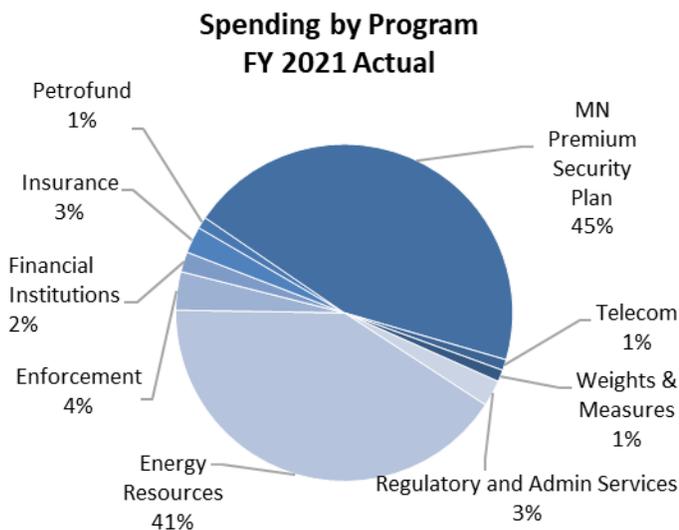
PURPOSE

The Commerce Department protects all Minnesotans in their everyday financial transactions by investigating and evaluating services and advocating that they be fair, accessible and affordable.

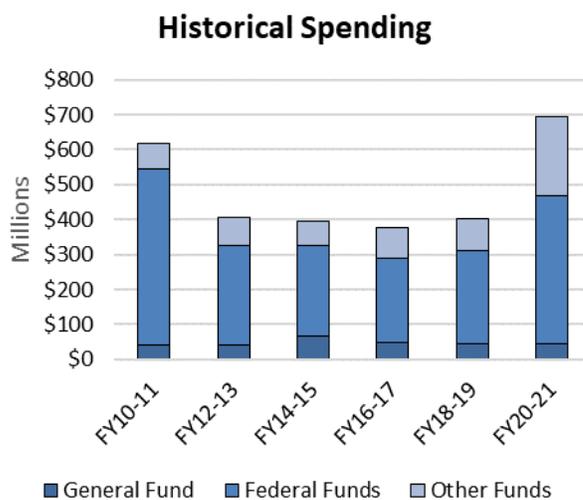
The Commerce Department is:

- Minnesota’s Insurance Department.
- Minnesota’s Financial Institutions Department, overseeing all state-chartered banks and credit unions.
- Minnesota’s Energy Department.

BUDGET



Source: Budget Planning & Analysis System (BPAS)



Source: Consolidated Fund Statement

The Commerce Department’s budget is composed of General Fund appropriations, federal funds and Special Revenue funds. The largest component of the Commerce Department’s budget is federal funding received as a

pass-through for administering the Premium Security Plan, Low-Income Home Energy Assistance and Weatherization Programs.

Insurance, Telecommunications and Energy Resources assess and recover costs from regulated entities. Financial Institutions, Petrofund and Weights & Measures are funded primarily from Special Revenue Funds. General Fund operating appropriations for Commerce have remained relatively consistent over the last decade though the Department has received funds for one-time purposes. The agency's FY 2010-11 spending level largely reflects the impact of federal stimulus funding that passed through the Commerce Department during the Great Recession and FY 2020-21 spending level reflects increased spending from the Premium Security Plan.

The Commerce Department is the home to the following consumer protection and regulatory programs:

- The Consumer Services Center, where Minnesotans can call for help to understand the products and services regulated by the Department;
- Licensing and Continuing Education;
- The Low Income Heating Assistance and Weatherization Programs;
- The Petrofund, which helps Minnesotans clean up pollution on their property due to leaky underground fuel tanks;
- Enforcement;
- The Commerce Fraud Bureau;
- The State's Securities Regulator overseeing investment advisors and broker-dealers not regulated by the federal government;
- Telecommunications Regulation;
- The State's Unclaimed Property program; and
- Weights and Measures.

The Commerce Department provides the following statewide services:

- Ensures health, property and casualty, life, long-term care and workers compensation insurance premiums in the state are fair and reasonable, and that contract terms comply with Minnesota law;
- Pursues civil and criminal enforcement activities to protect Minnesotans from fraudulent activities across all of our regulated markets and ensure strong and stable families and communities;
- Advocates on behalf of the public interest in energy-related matters to ensure a clean, healthy environment with sustainable uses of natural resources;
- Licenses and regulates individuals and entities to ensure a thriving economy that encourages business growth and employment opportunities; and
- Responds to the needs of consumers, licensees and applicants to ensure delivery of efficient and accountable government services.

STRATEGIES

Commerce carries out its work on behalf of the state of Minnesota through its divisions:

- Financial Institutions works with banks, credit unions and securities firms and professionals;
- Insurance reviews the rates and coverages proposed by health, life, property and casualty, and other insurers;
- Energy Resources advocates for fair and reasonable rates offered by regulated utilities and helps energy customers through energy assistance and weatherization;
- Enforcement investigates and takes action to enforce the regulations developed by the other Divisions; and
- Regulatory and Administrative Services licenses professionals in a range of fields, administers the Unclaimed Property program, the Petrofund program, Weights and Measures and provides operational support for the Divisions.

In these roles, Commerce touches a significant cross section of Minnesota’s economy. The agency uses targeted regulatory and consumer protection strategies to maintain a strong and competitive marketplace for Minnesota consumers and businesses. These strategies include:

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

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|---------------------------------------|----------------|----------------|----------------|------------------|----------------|----------------|------------------------------|----------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 22,981 | 23,252 | 25,515 | 46,080 | 31,378 | 30,244 | 36,595 | 36,662 |
| 2000 - Restrict Misc Special Revenue | 32,985 | 32,850 | 36,474 | 46,029 | 42,511 | 42,618 | 90,062 | 93,567 |
| 2001 - Other Misc Special Revenue | 66,267 | 74,617 | 47,326 | 68,801 | 116,940 | 145,479 | 116,940 | 145,479 |
| 2340 - Renewable Development | 3,620 | 6,898 | 8,356 | 31,137 | 27,147 | 5,500 | 27,147 | 5,500 |
| 2350 - Petroleum Tank Release Cleanup | 5,054 | 4,005 | 3,315 | 11,263 | 10,841 | 8,841 | 10,861 | 8,882 |
| 2830 - Workers Compensation | 754 | 748 | 703 | 819 | 761 | 761 | 788 | 815 |
| 3000 - Federal | 206,834 | 213,857 | 395,900 | 251,812 | 302,375 | 299,152 | 302,375 | 299,152 |
| 4925 - Paid Family Medical Leave | | | | | | | 367 | 316 |
| 6000 - Miscellaneous Agency | | 59 | | | | | | |
| Total | 338,496 | 356,285 | 517,589 | 455,941 | 531,953 | 532,595 | 585,135 | 590,373 |
| Biennial Change | | | | 278,749 | | 91,018 | | 201,978 |
| Biennial % Change | | | | 40 | | 9 | | 21 |
| Governor's Change from Base | | | | | | | | 110,960 |
| Governor's % Change from Base | | | | | | | | 10 |

Expenditures by Program

| | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Financial Institutions Division | 6,640 | 6,883 | 8,426 | 10,081 | 9,946 | 9,946 | 10,089 | 10,197 |
| Petroleum Tank Release Cleanup Fund | 5,054 | 4,005 | 3,315 | 11,263 | 10,841 | 8,841 | 10,861 | 8,882 |
| Regulatory and Administrative Services Division | 8,652 | 9,056 | 9,327 | 13,456 | 11,049 | 11,015 | 11,575 | 11,794 |
| Enforcement Division | 12,184 | 13,139 | 14,855 | 18,734 | 17,521 | 17,537 | 18,017 | 18,221 |
| Telecommunications | 4,185 | 3,724 | 3,345 | 4,056 | 3,803 | 3,890 | 3,841 | 3,968 |
| Division of Energy Resources | 138,384 | 146,464 | 274,562 | 219,351 | 223,532 | 197,891 | 272,515 | 250,461 |
| Weights & Measures Division | 3,478 | 3,447 | 4,543 | 5,489 | 5,141 | 5,141 | 5,247 | 5,480 |
| Insurance Division | 9,193 | 9,108 | 9,509 | 13,950 | 12,050 | 11,725 | 14,920 | 14,761 |
| Minnesota Premium Security Plan | 150,725 | 160,459 | 189,705 | 159,561 | 238,070 | 266,609 | 238,070 | 266,609 |
| Total | 338,496 | 356,285 | 517,589 | 455,941 | 531,953 | 532,595 | 585,135 | 590,373 |

Expenditures by Category

| | | | | | | | | |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Compensation | 36,107 | 36,997 | 39,177 | 47,263 | 47,111 | 46,571 | 55,965 | 57,350 |
| Operating Expenses | 29,650 | 28,087 | 28,814 | 48,364 | 43,717 | 41,707 | 45,530 | 42,706 |
| Grants, Aids and Subsidies | 272,714 | 291,039 | 448,903 | 358,863 | 440,472 | 443,664 | 482,987 | 489,664 |

Commerce

Agency Expenditure Overview

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------------|----------------|
| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY24 | FY25 |
| Capital Outlay-Real Property | 17 | 152 | 633 | 1,359 | 561 | 561 | 561 | 561 |
| Other Financial Transaction | 8 | 11 | 62 | 92 | 92 | 92 | 92 | 92 |
| Total | 338,496 | 356,285 | 517,589 | 455,941 | 531,953 | 532,595 | 585,135 | 590,373 |

| | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Agency Expenditures | 338,496 | 356,285 | 517,589 | 455,941 | 531,953 | 532,595 | 585,135 | 590,373 |
| Internal Billing Expenditures | 2,173 | 1,852 | 1,163 | 1,787 | 1,925 | 1,904 | 1,945 | 1,924 |
| Expenditures Less Internal Billing | 336,323 | 354,433 | 516,426 | 454,154 | 530,028 | 530,691 | 583,190 | 588,449 |

| | | | | | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <u>Full-Time Equivalents</u> | 336.18 | 332.26 | 336.57 | 362.32 | 366.07 | 365.47 | 411.32 | 418.72 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|

Commerce

Agency Financing by Fund

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base FY24 FY25 | | Governor's Recommendation FY24 FY25 | |
|-----------------------------------|----------------|----------------|----------------|------------------|----------------------------|---------------|---|---------------|
| 1000 - General | | | | | | | | |
| Balance Forward In | | 3,508 | 272 | 14,625 | | | | |
| Direct Appropriation | 26,401 | 26,244 | 40,378 | 32,483 | 32,347 | 31,213 | 231,683 | 75,210 |
| Open Appropriation | | | 41 | | | | | |
| Transfers In | 1,896 | 3,603 | 2,141 | 1,524 | 1,649 | 1,649 | 1,649 | 1,649 |
| Transfers Out | 66 | 1,948 | 551 | 1,028 | 969 | 969 | 195,088 | 38,548 |
| Cancellations | 1,896 | 7,884 | 2,141 | 1,524 | 1,649 | 1,649 | 1,649 | 1,649 |
| Balance Forward Out | 3,354 | 272 | 14,625 | | | | | |
| Expenditures | 22,981 | 23,252 | 25,515 | 46,080 | 31,378 | 30,244 | 36,595 | 36,662 |
| Biennial Change in Expenditures | | | | 25,361 | | (9,973) | | 1,662 |
| Biennial % Change in Expenditures | | | | 55 | | (14) | | 2 |
| Governor's Change from Base | | | | | | | | 11,635 |
| Governor's % Change from Base | | | | | | | | 19 |
| Full-Time Equivalents | 159.56 | 155.35 | 159.69 | 172.65 | 172.13 | 172.13 | 193.38 | 194.38 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Balance Forward In | 31,093 | 36,129 | 42,905 | 42,748 | 37,168 | 34,542 | 37,168 | 182,122 |
| Receipts | 37,562 | 39,762 | 36,630 | 39,144 | 38,764 | 38,764 | 39,776 | 39,764 |
| Internal Billing Receipts | 2,173 | 1,852 | 1,163 | 1,575 | 1,575 | 1,575 | 1,575 | 1,575 |
| Transfers In | 5,332 | 5,811 | 5,424 | 6,261 | 6,202 | 6,202 | 200,321 | 43,781 |
| Transfers Out | 5,278 | 5,974 | 5,736 | 4,956 | 5,081 | 5,081 | 5,081 | 5,081 |
| Balance Forward Out | 35,723 | 42,879 | 42,749 | 37,168 | 34,542 | 31,809 | 182,122 | 167,019 |
| Expenditures | 32,985 | 32,850 | 36,474 | 46,029 | 42,511 | 42,618 | 90,062 | 93,567 |
| Biennial Change in Expenditures | | | | 16,667 | | 2,626 | | 101,126 |
| Biennial % Change in Expenditures | | | | 25 | | 3 | | 123 |
| Governor's Change from Base | | | | | | | | 98,500 |
| Governor's % Change from Base | | | | | | | | 116 |
| Full-Time Equivalents | 138.46 | 140.89 | 136.90 | 149.03 | 147.09 | 147.09 | 169.09 | 176.09 |

2001 - Other Misc Special Revenue

| | | | | | | | | |
|--------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Balance Forward In | 592,338 | 537,583 | 217,925 | 165,859 | 400,884 | 289,335 | 400,884 | 289,335 |
| Receipts | 10,773 | 1,959 | 1,208 | 3,734 | 5,391 | 4,770 | 5,391 | 4,770 |
| Transfers In | | | | 300,092 | | 229,465 | | 229,465 |
| Transfers Out | | 247,000 | 5,948 | | | | | |

Commerce

Agency Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------------------|----------------|
| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY24 | FY25 |
| Balance Forward Out | 536,844 | 217,925 | 165,859 | 400,884 | 289,335 | 378,091 | 289,335 | 378,091 |
| Expenditures | 66,267 | 74,617 | 47,326 | 68,801 | 116,940 | 145,479 | 116,940 | 145,479 |
| Biennial Change in Expenditures | | | | (24,757) | | 146,292 | | 146,292 |
| Biennial % Change in Expenditures | | | | (18) | | 126 | | 126 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 0.97 | 0.66 | 0.97 | 0.97 | 0.97 | 0.97 | 0.97 | 0.97 |

2340 - Renewable Development

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|--------------|
| Balance Forward In | 150 | 43 | 15,854 | 30,884 | 21,047 | | 21,047 | |
| Direct Appropriation | 600 | 19,350 | 20,025 | 16,800 | 1,600 | 1,000 | 1,600 | 1,000 |
| Open Appropriation | 3,414 | 3,920 | 3,861 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Cancellations | 501 | 560 | 500 | | | | | |
| Balance Forward Out | 43 | 15,854 | 30,883 | 21,047 | | | | |
| Expenditures | 3,620 | 6,898 | 8,356 | 31,137 | 27,147 | 5,500 | 27,147 | 5,500 |
| Biennial Change in Expenditures | | | | 28,975 | | (6,846) | | (6,846) |
| Biennial % Change in Expenditures | | | | 275 | | (17) | | (17) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 0.33 | 0.47 | 0.38 | 0.38 | 0.38 | 0.38 | 0.38 | 0.38 |

2350 - Petroleum Tank Release Cleanup

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|--------------|
| Balance Forward In | | 100 | | 422 | | | | |
| Direct Appropriation | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,076 | 1,097 |
| Open Appropriation | 7,405 | 9,018 | 7,511 | 17,134 | 16,160 | 14,160 | 16,160 | 14,160 |
| Transfers In | 737 | 356 | 276 | 396 | | | | |
| Transfers Out | 4,046 | 5,962 | 5,106 | 7,745 | 6,375 | 6,375 | 6,375 | 6,375 |
| Cancellations | | 563 | | | | | | |
| Balance Forward Out | 98 | | 422 | | | | | |
| Expenditures | 5,054 | 4,005 | 3,315 | 11,263 | 10,841 | 8,841 | 10,861 | 8,882 |
| Biennial Change in Expenditures | | | | 5,519 | | 5,104 | | 5,165 |
| Biennial % Change in Expenditures | | | | 61 | | 35 | | 35 |
| Governor's Change from Base | | | | | | | | 61 |

Commerce

Agency Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-------------------------------|--------|--------|--------|----------|---------------|------|---------------------------|------|
| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY24 | FY25 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 4.82 | 4.27 | 4.52 | 4.52 | 4.52 | 4.52 | 4.52 | 4.52 |

2403 - Gift

| | | | | | | | | |
|---------------------|----|----|----|-----|-----|-----|-----|-----|
| Balance Forward In | 96 | 98 | 98 | 99 | 100 | 101 | 100 | 101 |
| Receipts | 2 | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Balance Forward Out | 98 | 98 | 98 | 100 | 101 | 102 | 101 | 102 |

2830 - Workers Compensation

| | | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Balance Forward In | | 4 | | 58 | | | | |
| Direct Appropriation | 758 | 759 | 761 | 761 | 761 | 761 | 788 | 815 |
| Cancellations | | 15 | | | | | | |
| Balance Forward Out | 4 | | 58 | | | | | |
| Expenditures | 754 | 748 | 703 | 819 | 761 | 761 | 788 | 815 |
| Biennial Change in Expenditures | | | | 20 | | 0 | | 81 |
| Biennial % Change in Expenditures | | | | 1 | | 0 | | 5 |
| Governor's Change from Base | | | | | | | | 81 |
| Governor's % Change from Base | | | | | | | | 5 |
| Full-Time Equivalents | 4.38 | 4.20 | 3.52 | 3.52 | 3.52 | 3.52 | 3.52 | 3.52 |

3000 - Federal

| | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Balance Forward In | 3 | 2 | 0 | | | | | |
| Receipts | 206,831 | 213,855 | 395,900 | 251,812 | 302,375 | 299,152 | 302,375 | 299,152 |
| Expenditures | 206,834 | 213,857 | 395,900 | 251,812 | 302,375 | 299,152 | 302,375 | 299,152 |
| Biennial Change in Expenditures | | | | 227,022 | | (46,185) | | (46,185) |
| Biennial % Change in Expenditures | | | | 54 | | (7) | | (7) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 27.66 | 26.42 | 30.59 | 31.25 | 37.46 | 36.86 | 37.46 | 36.86 |

3002 - Oil Overcharge

| | | | | | | | | |
|---------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Balance Forward In | 248 | 248 | 248 | 248 | 248 | 248 | 248 | 248 |
| Balance Forward Out | 248 | 248 | 248 | 248 | 248 | 248 | 248 | 248 |

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base FY24 FY25 | | Governor's Recommendation FY24 FY25 | |
|--|----------------|----------------|----------------|------------------|----------------------------|--|---|--|
|--|----------------|----------------|----------------|------------------|----------------------------|--|---|--|

4925 - Paid Family Medical Leave

| | | | | | | | | |
|-----------------------------------|--|--|--|---|--|---|------------|------------|
| Direct Appropriation | | | | | | | 367 | 316 |
| Expenditures | | | | | | | 367 | 316 |
| Biennial Change in Expenditures | | | | 0 | | 0 | | 683 |
| Biennial % Change in Expenditures | | | | | | | | |
| Governor's Change from Base | | | | | | | | 683 |
| Governor's % Change from Base | | | | | | | | |
| Full-Time Equivalents | | | | | | | 2.00 | 2.00 |

6000 - Miscellaneous Agency

| | | | | | | | | |
|-----------------------------------|-------|-----------|-------|-------|-------|-------|-------|-------|
| Balance Forward In | 17 | 3,517 | 3,522 | 3,547 | 3,500 | 3,500 | 3,500 | 3,500 |
| Receipts | 3,501 | 63 | 26 | (47) | | | | |
| Balance Forward Out | 3,517 | 3,522 | 3,548 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 |
| Expenditures | | 59 | | | | | | |
| Biennial Change in Expenditures | | | | (59) | | 0 | | 0 |
| Biennial % Change in Expenditures | | | | | | | | |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | |

Commerce

Agency Change Summary

(Dollars in Thousands)

| | FY23 | FY24 | FY25 | Biennium 2024-25 |
|--|---------------|----------------|---------------|---------------------|
| Direct | | | | |
| Fund: 1000 - General | | | | |
| FY2023 Appropriations | 32,483 | 32,483 | 32,483 | 64,966 |
| Base Adjustments | | | | |
| Current Law Base Change | | (136) | (1,270) | (1,406) |
| Forecast Base | 32,483 | 32,347 | 31,213 | 63,560 |
| Change Items | | | | |
| State Competitiveness Energy Fund | | 113,750 | | 113,750 |
| Insurance Division Staffing and Operations | | 1,800 | 1,800 | 3,600 |
| CFB Body Worn Cameras | | 41 | 21 | 62 |
| Energy Resources and Planning | | 1,260 | 1,260 | 2,520 |
| Pre-Weatherization and Workforce Training | | 2,630 | 21,340 | 23,970 |
| Standardized Plans | | 136 | 136 | 272 |
| Enforcement Division Staffing Realignment | | 248 | 248 | 496 |
| Continued Coverage of Preventive Services | | 34 | 34 | 68 |
| Strengthen Minnesota Homes | | 16,239 | 16,239 | 32,478 |
| Maintain Current Service Levels | | 1,056 | 2,069 | 3,125 |
| Solar for Schools | | 61,500 | | 61,500 |
| Free Primary Care for Minnesotans | | 318 | 318 | 636 |
| Senior Safe - Fraud Prevention Program Staffing | | 249 | 249 | 498 |
| Legalizing Adult-Use Cannabis | | 75 | 283 | 358 |
| Total Governor's Recommendations | 32,483 | 231,683 | 75,210 | 306,893 |
| Fund: 2340 - Renewable Development | | | | |
| FY2023 Appropriations | 16,800 | 16,800 | 16,800 | 33,600 |
| Base Adjustments | | | | |
| Current Law Base Change | | (15,200) | (15,800) | (31,000) |
| Forecast Base | 16,800 | 1,600 | 1,000 | 2,600 |
| Total Governor's Recommendations | 16,800 | 1,600 | 1,000 | 2,600 |
| Fund: 2350 - Petroleum Tank Release Cleanup | | | | |
| FY2023 Appropriations | 1,056 | 1,056 | 1,056 | 2,112 |
| Forecast Base | 1,056 | 1,056 | 1,056 | 2,112 |
| Change Items | | | | |
| Maintain Current Service Levels | | 20 | 41 | 61 |
| Total Governor's Recommendations | 1,056 | 1,076 | 1,097 | 2,173 |
| Fund: 2830 - Workers Compensation | | | | |
| FY2023 Appropriations | 761 | 761 | 761 | 1,522 |
| Forecast Base | 761 | 761 | 761 | 1,522 |

(Dollars in Thousands)

| | FY23 | FY24 | FY25 | Biennium 2024-25 |
|--|---------------|----------------|----------------|---------------------|
| Change Items | | | | |
| Maintain Current Service Levels | | 27 | 54 | 81 |
| Total Governor's Recommendations | 761 | 788 | 815 | 1,603 |
| Fund: 4925 - Paid Family Medical Leave | | | | |
| Change Items | | | | |
| Paid Family and Medical Leave Insurance | | 367 | 316 | 683 |
| Total Governor's Recommendations | | 367 | 316 | 683 |
| Open | | | | |
| Fund: 2340 - Renewable Development | | | | |
| FY2023 Appropriations | 4,500 | 4,500 | 4,500 | 9,000 |
| Forecast Base | 4,500 | 4,500 | 4,500 | 9,000 |
| Total Governor's Recommendations | 4,500 | 4,500 | 4,500 | 9,000 |
| Fund: 2350 - Petroleum Tank Release Cleanup | | | | |
| FY2023 Appropriations | 16,985 | 16,985 | 14,985 | 31,970 |
| Base Adjustments | | | | |
| Forecast Open Appropriation Adjustment | 149 | (825) | (825) | (1,650) |
| Forecast Base | 17,134 | 16,160 | 14,160 | 30,320 |
| Total Governor's Recommendations | 17,134 | 16,160 | 14,160 | 30,320 |
| Dedicated | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |
| Planned Spending | 45,829 | 42,511 | 42,618 | 85,129 |
| Forecast Base | 45,829 | 42,511 | 42,618 | 85,129 |
| Change Items | | | | |
| State Competitiveness Energy Fund | | 28,550 | 28,400 | 56,950 |
| Utility Grid Reliability Assessment Extension | | 1,000 | 1,000 | 2,000 |
| Pre-Weatherization and Workforce Training | | 2,110 | 4,690 | 6,800 |
| Strengthen Minnesota Homes | | 1,239 | 1,239 | 2,478 |
| Money Transmission Modernization Act | | 12 | | 12 |
| Solar for Schools | | 14,640 | 15,620 | 30,260 |
| Total Governor's Recommendations | 45,829 | 90,062 | 93,567 | 183,629 |
| Fund: 2001 - Other Misc Special Revenue | | | | |
| Planned Spending | 68,801 | 116,940 | 145,479 | 262,419 |
| Forecast Base | 68,801 | 116,940 | 145,479 | 262,419 |
| Total Governor's Recommendations | 68,801 | 116,940 | 145,479 | 262,419 |

(Dollars in Thousands)

| | FY23 | FY24 | FY25 | Biennium 2024-25 |
|--|----------------|----------------|----------------|---------------------|
| Fund: 3000 - Federal | | | | |
| Planned Spending | 251,812 | 302,375 | 299,152 | 601,527 |
| Forecast Base | 251,812 | 302,375 | 299,152 | 601,527 |
| Total Governor's Recommendations | 251,812 | 302,375 | 299,152 | 601,527 |
| Revenue Change Summary | | | | |
| Dedicated | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |
| Forecast Revenues | 39,144 | 38,764 | 38,764 | 77,528 |
| Change Items | | | | |
| Utility Grid Reliability Assessment Extension | | 1,000 | 1,000 | 2,000 |
| Money Transmission Modernization Act | | 12 | | 12 |
| Total Governor's Recommendations | 39,144 | 39,776 | 39,764 | 79,540 |
| Fund: 2001 - Other Misc Special Revenue | | | | |
| Forecast Revenues | 3,734 | 5,391 | 4,770 | 10,161 |
| Total Governor's Recommendations | 3,734 | 5,391 | 4,770 | 10,161 |
| Fund: 2403 - Gift | | | | |
| Forecast Revenues | 1 | 1 | 1 | 2 |
| Total Governor's Recommendations | 1 | 1 | 1 | 2 |
| Fund: 3000 - Federal | | | | |
| Forecast Revenues | 251,812 | 302,375 | 299,152 | 601,527 |
| Total Governor's Recommendations | 251,812 | 302,375 | 299,152 | 601,527 |
| Fund: 6000 - Miscellaneous Agency | | | | |
| Forecast Revenues | (47) | | | |
| Total Governor's Recommendations | (47) | | | |
| Non-Dedicated | | | | |
| Fund: 1000 - General | | | | |
| Forecast Revenues | 147,205 | 137,015 | 137,015 | 274,030 |
| Change Items | | | | |
| Energy Resources and Planning | | 1,260 | 1,260 | 2,520 |
| Total Governor's Recommendations | 147,205 | 138,275 | 138,275 | 276,550 |
| Fund: 2350 - Petroleum Tank Release Cleanup | | | | |
| Forecast Revenues | 140 | 140 | 140 | 280 |

(Dollars in Thousands)

| | FY23 | FY24 | FY25 | Biennium 2024-25 |
|---|------------|------------|------------|---------------------|
| Total Governor's Recommendations | 140 | 140 | 140 | 280 |

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: State Competitiveness Energy Fund

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|-----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | \$113,750 | 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) | \$113,750 | 0 | 0 | 0 |
| FTEs | 9 | 9 | 9 | 9 |

Recommendation:

The Governor recommends \$113.75 million of general fund dollars in FY 2024 to:

1. Provide required state matching funds that are required for multiple energy-related competitive and formula federal grant opportunities through the Infrastructure Investment and Jobs Act (IIJA);
2. Provide grant writing capacity in rural and disadvantaged communities in order to successfully compete for billions in competitive funding; and
3. Provide the minimum staffing capacity to apply for and implement the programs resulting from new federal funding, as well as provide needed staff capacity at Commerce to provide quantitative analysis on climate and equity impacts for dockets and implementation of statute. This proposal assumes the federal funding, once received, will fund ongoing staffing costs.

Rationale/Background:

In a historic opportunity, there are over 20 competitive pots of federal money in the billions of dollars that Commerce is positioned to compete for or to support competitive applications by Minnesotan entities. Each successful program application will have staffing needs and some require a state match. Within the grid infrastructure programs alone, there is:

- A \$5 billion grant program, run by the US Department of Energy (DOE), to support activities aimed at reducing adverse impacts on the grid from extreme weather, wildfire and other natural disasters. Large utilities must match the grants dollar for dollar, smaller ones have a 33 percent match, state formula funds require a 15% cost-share
- A \$5 billion DOE fund to upgrade the grid and ensuring reliability and resiliency; awards to State Energy Offices would require 20-50% cost share
- A \$1 billion DOE fund to aid rural and remote areas (populations of < 10,000 inhabitants) with reliability and resiliency issues; significant cost-share expected
- A \$2.5 billion revolving loan fund in which the DOE will serve as an “anchor tenant,” entering capacity contracts for new or upgraded transmission lines
- A \$3.5 billion smart-grid investment matching program for the deployment of technologies that provide flexibility in responding to natural disasters, rebalance electrical system, facilitate the aggregation or integration of distributed generation, and support renewable generation; awardees required to fund 50% of project costs
- A \$500 million program to provide technical assistance to state energy programs focusing on energy security, energy efficiency and state-led energy initiatives

- A \$2.5 billion transmission facilitation fund to support DOE loaning, directly financing or purchasing capacity to facilitate the construction of electric power transmission lines and related facilities needed to facilitate clean energy growth
- A \$50 million program to increase the functional preservation of electric grid operations and natural gas and oil operations in the face of threats and hazards

This is just one example of areas that Minnesota will need to be poised to be competitive with grant applications. A few more examples include Hydrogen hubs, energy auditor and solar-industry workforce training, and weatherization innovation.

Connection to Climate Action Framework

This proposal leverages federal funding for dozens of opportunities that could have a transformational effect on the State's ability to meet CAF goals across all six goal areas.

Proposal:

The Governor recommends that Commerce is allocated \$100M to help meet federal funding matching needs for the Infrastructure Investment and Jobs Act (IIJA), Inflation Reduction Act (IRA), and other formula and competitive energy funding opportunities; as well as \$1.5M annually to develop and support grant-writing/solicitation development capacity statewide:

- **\$100M – Energy Resilience & Innovation Matching Grants** - to meet required state match (~\$8M) and poise Minnesota to be competitive for other IIJA/IRA/other federal competitive funding opportunities in four key energy areas:
 - 1) Schools and Government energy resiliency for critical infrastructure;
 - 2) Emerging energy technologies and business;
 - 3) Reliability in electricity generation, transmission, and distribution; and
 - 4) Clean Tech Manufacturing
- **\$6.25M - Competitiveness Resource Technical Assistance Team** \$1.25M annually for five years =
 - 1 FTE – Supervisor (25K) to lead the team. \$170K/annually.
 - 1 FTE – High Level (18K) to lead writing of competitive solicitations, establish partnerships, leverage other resources, establish metrics and tracking mechanisms, and communicate via the MN Energy Information Center: Competitiveness & Transparency Hub funding opportunities for partners, businesses, utilities, and communities state-wide: \$155K annually.
 - 1 FTE Mid-Level (14L) federal requirements/grants officer to gather, interpret, and develop procedures to meet required US DOE flow down provisions such as Davis Bacon, Buy American, and NEPA as well as provide grant/contracting support = \$135K annually.
 - 2 FTE (10L) to coordinate, publicize, support, implement, evaluate, and inform on the results of the local and statewide competitiveness initiatives as well as provide coordination for the technical assistance teams in the field and directly solicit funds in which states are eligible entities
 - = \$120K x 2 = \$240K annually
 - 2 FTE (10L) grants/contracts management support to distribute funds and run RFP solicitations to grant local businesses and governments efficiently = \$120K x 2 = \$240K annually
 - 2 High-Level (18L) technical experts (hydrogen & grid resiliency) = \$155K annually x 2 = \$310K annually
- **\$6M – 1:1 Local Grant Writing Capacity Grants** – Funding for up to 50% matching grants for four years of local capacity contracts (@\$75k/yr/5 years/16 entities) for up to 11 Regional Development Organizations (RDOs), one Tribal Government; and four metro region organizations to directly solicit federal funds and to pursue state matching or competitive subgrantee funding. Organizations responsible to match grants at 50% (1:1) costs associate with pursuit of federal, private, or state energy funds.

- **\$1.5M – Tracking mechanism** - a web-based infrastructure needs for the multitude of energy-related competitive applications that Minnesota will be poised to pursue, as well as results tracking to help promote the success of Minnesota businesses, communities, and local governments

Impact on Children and Families:

This proposal will benefit Minnesota families by helping to ensure that federal funding opportunities are accessible to Tribes, schools, businesses, and other entities in their community.

Equity and Inclusion:

The predominant goal of this funding request is based in equity to ensure Minnesota broadly can be competitive with larger states like California and New York; and to ensure opportunities are accessible to Tribes, schools, businesses, and other entities that could benefit from them. It is critical to address the structural inequities in access to resources, so that these federal competitive funding opportunities can be accessed by all communities, not just the well-resourced.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

In tribal consultation, tribal leaders were asked the level of capacity they currently have to pursue funding. In one case, the individual responded, “I just work until midnight to get every application I can in”.

Tribal governments face the same resource constraint challenges identified by rural and small municipalities across Greater Minnesota. Staffing (time) constraints, knowledge constraints and money constraints are all present in both the project development stage (project ideation, development, and implementation) and in seeking funding (identification of potential funding, pursuit, and subsequent grant management if awarded).

Results:

This funding could result in tens of millions, if not more, of federal funding for the state as well as an additional \$2B if selected as a Hydrogen Hub for the country. The federal formula and competitive programs will have requirements including results reporting. The tracking database within the web-portal will reflect the number and success of funding solicitations pursued and the resulting impact to Minnesota. Below are some of the competitive opportunities that might be pursued by MN businesses and municipalities. Commerce would stand up a matching grant program that would allow for MN-based applications to receive up to a 20% match (40% if directly serving a federally designated disadvantaged community), not to exceed \$2M/application. Applicants would be allowed to “reserve” funds from the state, contingent on successfully receiving funds from the feds. For those projects declined by the federal government, the initial “reservation” would turn back into the MN matching fund in order that other successful applications could apply.

Here are some examples of IJA fund opportunities available and expected to be pursued by Minnesota entities. A 20% match on the estimated award amount is utilized; (it should be noted that the required applicant cost-share or match for many of the IJA funding opportunities is 50% match):

- 40101/40103/40106/40107: Electric Grid Resilience (\$80.5M)
- 40511: Building Codes (\$800K)
- 50205: Publicly Owned Treatment Works Resilience (\$625K)
- 40541: Schools – EERE Projects (\$4M) – capped at \$2M/application
- 41001: Energy Storage Demonstration Pilot Projects (\$12.5M) – capped at \$2M/application
- 40313/40214: Hydrogen (\$4M) – capped at \$2M/application

- 40503: Energy auditor training (\$400K)
- 50112: Adv. Drinking water/cybersecurity (\$200K)
- 40512 Building, Training, and Assessment Centers (\$200K)
- 40521 Industrial Research and Assessment Center Programs (\$2M)
- 41008 Industrial Emissions Demonstration Projects (\$10M)
- 40124 Rural and Municipal Utility Advances Cybersecurity Grant and Technical Assistance Program (\$12M: \$750K max per application)
- 40125 Cybersecurity for the Energy Sector Research, Development and Demonstration Program (\$2M)
- 40305 Carbon Storage Validation and Testing (\$15M)

Based on this list alone, which does not include all IJIA, nor any IRA or other federal funding opportunities, \$100M in matching funds are recommended to be allocated for this program, with any funds not utilized to secure federal funding for MN (with every dollar leveraging \$2.50-\$5.00 or more)

IT Related Proposals:

\$1.5 M MN Competitiveness & Transparency Hub - Web-Portal Contract

- \$1.5M anticipated need to establish a contractor to stand up a funding opportunities and technical assistance portal for Minnesota businesses, schools, utilities, and other entities interested in federal funding opportunities as well as a portal for transparency in government where all interested Minnesotans can see how competitive, and formula energy-related funding is being spent and the calculated results of impact on jobs, communities, and energy savings.
- Amount based on Department of Administration Sustainability tool cost estimates.
- Hub is anticipated to be utilized for five years (minimum).

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Utility Grid Reliability Assessment Extension

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| Revenues | \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 0 | 0 | 0 |
| FTEs | 3 | 3 | 3 | 3 |

Recommendation:

The Governor recommends repealing the sunset of the Energy Planning and Systems assessment, which is set to sunset on June 30, 2023. This assessment provides annual funding for three FTE to participate in regional and federal electric and natural gas reliability oversight ensuring adequate and secure generation and transmission resources to serve Minnesota homes and businesses. The assessment will expire on June 30, 2023; however, the work is critical, ongoing, and necessary to maintain reliable energy service for Minnesotans.

Rationale/Background:

Transmission lines are the highways for our electric grid to deliver power to Minnesota homes and businesses.

Earlier this year, the Mid-Continent Independent System Operator (MISO) unanimously approved three projects which are entirely or partially in Minnesota, representing an investment of more than \$2 billion to expand and improve reliability for the state’s electric grid.

This investment is part of \$10 billion in new transmission lines planned for the Midwest under a coordinated effort by MISO, which manages the regional electric grid for 15 Midwest and Southern states, and the Canadian province of Manitoba. The staff funded by the Energy Planning and Systems assessment are integral to this work.

Commerce Department requests repealing the sunset of the Energy Planning and Systems assessment, which is set to sunset on June 30, 2023. This proposal will ensure that Minnesotans are able to access reliable energy service and that the department has the staffing it needs to support the important work around transmission happening across the United States.

Connection to Climate Action Framework

This proposal aligns with several priority actions in the resilient communities goal including:

- Providing more resources for adaptation
- Adopting resilient building policies
- Assess vulnerabilities at critical facilities

This proposal aligns several priority actions in the clean energy and efficient buildings goal area including:

- Adapting the grid
- Reducing emissions related to heating and cooling homes and businesses
- Reducing energy use and waste

Proposal:

Using this assessment authority, this initiative will utilize \$1,000,000 in annual funding for three FTE for ongoing regional and federal work on electricity and natural gas issues with:

- the Midcontinent Independent System Operator (MISO),
- the Midwest Reliability Organization (MRO, a transmission reliability organization),
- Federal Energy Regulatory Commission (FERC), and
- other regional and federal agencies.

This work includes:

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

Maintaining these three existing positions through this funding is critical to maintaining an affordable and reliable energy system. Without this assessment the Department will not have the resources to complete the technical analysis needed to ensure the reliability of the state’s electric system.

This proposal requires a statutory change to Minn. Stat. §216B.62, subd. 3b, to delete the current sunset date. The Governor recommends that this provision is effective immediately following enactment to ensure work continues.

Impact on Children and Families:

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

Equity and Inclusion:

A reliable electric system provides a continuous energy source protecting vulnerable communities including the elderly and sick. This proposal supports the Department’s work advocating on behalf of the public interest in energy-related matters to ensure a clean, healthy environment with sustainable uses of natural resources.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Tribal governments and members will benefit from the collective effort of the Department’s focus on electric system reliability.

IT Costs
N/A

Results:

Department staff currently provide analysis for and advocate on behalf of the public in a number of complex regulatory proceedings related to reliability. Regulatory proceedings are occurring at the state, regional, and federal level, and on matters of reliability, these proceedings are occurring at a greater pace.

Staff currently prioritize the analytical work based on resource and technical expertise availability. Examples of this work include electric utility integrated resource plans at the Minnesota Public Utilities Commission, resource adequacy proceedings at MISO, and transmission cost allocation at the Federal Energy Regulatory Commission. If the sunset for reliability is removed and staffing using this funding is stabilized as a result of removing the sunset, staff anticipate the following:

First, the Department will intervene in more state, regional, and federal dockets that impact reliability. Currently this complex analytical work is limited to 1-2 integrated resource plans per year, 3-4 MISO proceedings per year, and 1-2 FERC related proceedings per year. With stable funding, staff would likely be able to double those efforts.

Second, stabilizing the grid assessment funding for reliability would reduce delays in statewide proceedings with additional capacity to respond. This means fewer Department extension requests on dockets before the PUC resulting in more timely analysis being submitted to enable the PUC's decision-making on matters related to reliability.

Each year, regulatory staff at the Department have a collective caseload of over 200 dockets. In 2021, staff filed over 450 sets of comments in state, regional, and federal proceedings.

The mission of this unit is to ensure an affordable and reliable electric and gas system that minimized impact on the environment and reduces risk for consumers. In the same 2021 timeframe, the Department helped consumers avoid over \$250 million in utility costs, have not had any major reliability events, and helped ensure the electric power sector continues to reduce greenhouse gas emissions at a greater rate than any other sector in the economy.

All Minnesotan's that consume electricity and natural gas, rely on power and heat for household and commercial interests, and that are affected by greenhouse gas emissions that cause climate change are better off for the efforts of Department regulatory staff.

Statutory Change(s):

This proposal requires a statutory change to Minn. Stat. §216B.62, subd. 3b, to delete the current sunset date.

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Insurance Division Staffing and Operations

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | \$1,800 | \$1,800 | \$1,800 | \$1,800 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | \$1,800 | \$1,800 | \$1,800 | \$1,800 |
| FTEs | 8 | 8 | 8 | 8 |

Recommendation:

The Governor recommends \$1.8 Million in FY 2024 and ongoing from the General Fund to both maintain current Insurance Division staffing levels and add additional staff to support processing and reviewing company licensing and financial review of insurance companies. The funding would also allow for contract actuarial support for property and casualty rate review and network adequacy review.

Rationale/Background:

While the Insurance Division has received funding in previous sessions, staffing levels have not kept pace with retirements while workloads have increased. Specifically, while the number of filings has remained relatively constant, changes within insurance industry practices continue to become more complex, resulting in reviews taking more time to complete. This has resulted in significant delays in completing certain regulatory tasks. The department has undertaken process improvements and adjusted staffing in the divisions’ s current compliment however, some licensing applications have been pending for more than two years.

The Governor requests \$1.8 Million in FY2024 and ongoing from the General Fund to both maintain current Insurance Division funding and add additional staff and contract actuarial support. Importantly, this proposal includes the continuation of the \$504,000 per year funding appropriated in 2021 Session that ends in FY 2023.

Contract actuarial support will allow the Insurance Division to begin to grow these skillsets while still maintaining some flexibility to identify needs longer-term. The Department has undertaken a process to improve efficiencies, and adjusted staffing within the current staff complement, however, the staffing challenges are compounded by changes in insurance industry that have resulted in the Insurance Division needing different skillsets to adequately regulate and monitor the insurance industry.

Furthermore, during the department’s recent accreditation review from National Association of Insurance Commissioners (NAIC), the accreditation team noted that the Insurance Division is extremely short staffed for the number of reviews they complete. In addition to noting the need for additional staff, the NAIC also noted the need for realignment of certain existing positions.

This proposal will help the department to continue to protect the public interest by ensuring that insurance companies are adequately regulated and monitored, while also allowing the department to continue to be a trusted resource, able to respond to industry questions and requests in a timely manner.

The staffing and actuarial support in this proposal will help ensure a strong and competitive marketplace with the staff and supports necessary to complete needed reviews.

Proposal:

The Governor requests \$1.8 Million in FY2024 and ongoing from the General Fund to both maintain current Insurance Division funding and to add additional staff and contract actuarial support.

This proposal includes the continuation of the \$504,000 per year funding appropriated in the 2021 Session that ends in FY 2023.

In addition to the continuation of existing Insurance Division funding, this proposal would provide new funding for:

- Additional licensing staff (2 FTE)—to support processing and reviewing company licensing
- Additional financial analysis staff (5 FTE)—to support financial review of insurance companies
- Additional Form Filing staff (1 FTE) – to support review of policy form filings
- Contract actuarial support—to review some of the more basic P&C rates
- Network adequacy contract support (via MDH Qwest contract)—Conduct network adequacy review as part of filing

Impact on Children and Families:

Minnesota families who purchase health, home or auto insurance will be positively impacted by this proposal, as it will allow the department to maintain a strong and competitive marketplace by having the staff and supports necessary to complete needed reviews around rates and network adequacy.

Equity and Inclusion:

This proposal is primarily focused on ensuring that Minnesota has a strong and competitive insurance marketplace and that Minnesota’s insurance companies are solvent and can pay their policyholders’ claims as promised. Part of having a strong marketplace is supporting businesses that sell products to address the diversity of people’s insurance needs. Additionally, part of this work would include conducting additional actuarial review to ensure that people’s auto and homeowners insurance rates are actuarially justified.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

IT Costs:

N/A

Results:

Minnesota has a relatively large insurance industry compared with other states, with 133 insurance companies under Commerce’s financial supervision and 1,423 foreign (out-of-state) companies doing business in the state.

Part of Commerce’s regulatory work includes ongoing evaluation of insurance companies doing business in Minnesota and conducting on-site examinations of each Minnesota-domiciled insurer at least once every five years (three years for Health Maintenance Organizations). Review of forms in a timely manner allows for new, innovative products to be offered to Minnesotans.

Rationale/Background:

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|---|--|---------------------|
| Quantity | Policy Form and Rate Review | 4,060 filings reviewed | 3,949 filings reviewed | FY 2020 and FY 2022 |
| Quality | Turnaround time from filing to disposition, – Property & Casualty, including Workers Compensation forms and rates – target: 40 days | P&C: 30.27 days Worker’s Comp: 30.25 | P&C: 40.18 days Worker’s Comp: 13.9 | FY 2020 and FY 2022 |
| Quality | Turnaround time from filing to disposition, Life, Annuity & Health forms and rates – target: 40 days | 30.25 days | 28.68 days | FY 2020 and FY 2022 |
| Quantity | Financial Examinations of insurers completed within the required time frame | 13 | 21 | FY 2020 and FY 2022 |
| Quantity | Financial Analysis of insurers completed within the required time frame | 69 | 69 | FY 2020 and FY 2022 |
| Results | Percentage of Financial Examinations and Financial Analysis of insurers completed within the required time frame | 100% | 100% | FY 2020 and FY 2022 |

Statutory Change(s):

N/A

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: CFB Body Worn Cameras

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$41 | \$21 | \$21 | \$21 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | \$41 | \$21 | \$21 | \$21 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends \$41,000 in FY 2024 and \$21,000 per fiscal year in ongoing funding for Body Worn Cameras/Personal Recording Devices for Fraud Bureau (CFB) agents so that the bureau is aligned with other state and local law enforcement entities that have body worn cameras assigned to their sworn personnel.

Rationale/Background:

There has been an increased interest and concerted effort to equip Minnesota law enforcement agencies with body worn cameras (BWCs). Other State law enforcement entities such as the Bureau of Criminal Apprehension (BCA) and Minnesota State Patrol (MSP) have recently adopted this policy and equipped their personnel with BWCs. Since many other State law enforcement agencies have moved towards BWCs, it is appropriate for the Commerce Fraud Bureau agents be on par with other law enforcement entities in the State.

Proposal:

This proposal addresses the issue for the Commerce Department in anticipation and preparing for advancing legislation of personal recording devices Body Worn Cameras (BWCs). This proposal will increase organizational transparency with the public while providing protection for CFB agents and the same time helps to ensure the CFB remains a trusted resource.

Impact on Children and Families:

BWCs also can be viewed as an impact for families across Minnesota as it will maintain the CFB as a trusted resource that Minnesota families can call upon for investigation of potential financial fraud. It also creates transparency and fosters good-will with the public.

Equity and Inclusion:

The addition of BWCs will help to reduce and eliminate inequities across Minnesota as it will help to create transparency and accountability that many Minnesotans have asked for. Additionally, the work of the CFB ensures a fair and competitive marketplace and works to affirm that artificial barriers are not placed, assuring equity in processes.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

IT Costs:

N/A

Results:

This proposal will ensure that all sworn CFB personnel will be equipped with BWC's which will help to increase transparency, enhance public relations, and help to promote and build a culture of trust with the citizens of Minnesota. This funding will allow all 22 Sworn officers to have an issued Body Worn Camera.

Statutory Change(s):

This proposal does not require a statutory change.

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Energy Resources and Planning

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | \$1,260 | \$1,260 | \$1,260 | \$1,260 |
| Revenues | \$1,260 | \$1,260 | \$1,260 | \$1,260 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 0 | 0 | 0 |
| FTEs | 8 | 8 | 8 | 8 |

Recommendation:

The Governor recommends a funding increase of \$1.26 million in FY 2024 and ongoing for Energy Resources and Planning operations to support the Department’s energy regulation and planning (ERP) function.

The ERP unit works at the heart of transformational energy issues serving as the advocate for the public in all matters before the Public Utilities Commission (PUC). ERP performs financial and economic analysis to ensure regulated utilities are providing an affordable and reliable system that minimizes impact on the environment and reduces risk for consumers. This unit is key to helping the PUC make decisions and ensure state energy policy goals are achieved. As Minnesota’s energy system undergoes a historic transformation to clean energy and the requisite infrastructure build-out, ERP’s role is critical to facilitating this transition and ensuring consumers are protected throughout the process.

- ERP currently employs 23 FTE (not including CIP staff or budgetary support for other functions such as grants and contract, legal services, fiscal services, etc.). The proposed budget would add 8 FTE to the existing roster.
- Funding for staff resources in ERP is revenue-neutral to the general fund. All Department expenditures are assessed to regulated electric and natural gas utilities.
- The proposed funding would do the following:
 - Allow for more timely and effective response to changing policy established through the legislature and by the Public Utilities Commission and an anticipated significant increase in workflow.
 - Respond to increasing complexities within energy markets at the regional and national level for both electricity and natural gas.
 - Pursue and maximize benefits for Minnesota ratepayers as a result of the Inflation Reduction Act (IRA) and the Infrastructure Investment and Jobs Act (IIJA).
 - Ensure execution of Midcontinent Independent System Operator’s (MISO) Long Range Transmission Plan (LRTP) Tranche 1 and Tranche 2 projects.
 - Increase public engagement for issues the Department will be analyzing relative to utility petitions that affect the clean energy transition and communities impacted by energy choices of the PUC.
- Examples of the activities would include:
 - Analysis of utility petitions that propose innovative approaches to integrated resource and distribution planning as well as pilot programs that service specific utility functions or customer needs.

- Responding to an increased number of certificates of need due to the MISO LRTP Tranche 1 and Tranche 2 projects (projects that will likely be resource-intensive contested cases).
- Updating modeling and forecasts associated with the IJJA and IRA affected resources including wind and solar projects that have increase benefits for ratepayers.
- Evaluation of intersecting state policy directives and utility programs that increase electrification of the system or innovative investments in renewable natural gas with new federal programs that support the same objectives.
- Evaluate cost recovery and accounting practices of utilities to ensure federal tax benefits for wind, solar, nuclear, and other utility investments are delivered directly to ratepayers and utility bill increases are avoided.
- Coordinate and collaborate with stakeholders to better understand challenges associated with the energy transition and impacts to Minnesota’s communities.
- Generally, analysis of all utility petitions includes a process of proposal review, discovery, multi-disciplinary analysis, comment/testimony development, oral arguments, and enforcement of PUC orders.

This request would enable the hiring of a combination of Public Utilities Rates & Financial Analysts (Levels 3 and 4), a Planner Director for Certificates of Need, and Planner Principals for public engagement initiatives.

Rationale/Background:

Over the last several years, analyzing and recommending decision options for energy policy has become increasingly complex. State and federal policies have changed to ensure an affordable and reliable energy system as it becomes decarbonized at an increasing rate. These complexities are compounded by a changing workforce. Since 2019, through retirements and attrition, approximately 40% of the ERP staff has turned over. Ensuring that the energy transition to a carbon-free system while maintaining just and reasonable rates and the reliability Minnesota’s economy requires is resource-intensive with a need for deep expertise in regulated utility matters. With additional resources, the ERP unit will be able to respond to PUC proceedings in a timelier manner with more robust expertise and better informed through public engagement to meet the current challenges of the energy industry.

This proposal was developed internally; however, there is general recognition by the Public Utilities Commission, rate-regulated utilities, and other key stakeholders that these resources are needed to perform the Department’s statutory duties.

Proposal:

The proposal is only for staffing resources. ERP anticipates a need for the following:

Three new financial analysts to address rate cases, riders, deferred accounting, fuel cost adjustments, and other cost recovery proceedings associated with the potential ratepayer benefits from federally passed legislation (an example is the IRA tax credit impacts on resources acquired by a utility) and the imminent transmission projects approved and being studied by MISO. There would be one public utilities financial analyst 4 and two public utilities financial analysts level 3 for a total of approximately \$490,000 per year.

Two new rates analysts would be needed to respond to changes in utility integrated resource plans, modifications for existing resource acquisition proceedings, evaluation of intersections between state and federal policies (for example, how do some of the IJJA or IRA impacts and program investments complement or are redundant with existing programs/policies?). A rates analyst level 3 and level 4 would be created for a total of \$300,000 per year.

One new planner director position would be established to consolidate and expand the Department’s response to certificate of need proceedings. The certificate of need process is a key step in the development of clean energy resources and building out transmission infrastructure. Given the magnitude and nature of the proceedings, they

are often contested and adjudicated through an Administrative Law Judge. The planner director would ensure timely and robust response to these proceedings while coordinating necessary internal and external expert witnesses and legal counsel for the Department’s analysis. The total cost of this position is approximately \$170,000 per year.

Two new planner principal positions to ensure robust public engagement is pursued on how the clean energy transition impacts Minnesota’s communities. As more local resources such as wind and solar are built, and to ensure a just and equitable transition, public engagement to inform Department policy positions in the regulatory space will be critical. The total cost for these two positions is approximately \$300,000.

Staffing resources needed for effective implementation:

This proposal is only for staffing resources. The staffing resources are needed for timely and effective response to ensure a clean energy transition happens as a primary response to solving for climate change.

Impact on Children and Families:

The Department acts broadly on behalf of the public, including children and families. Ensuring that families can afford to pay their utility bills and that utilities only charge a just and reasonable rate is priority work of ERP. Additionally, Minnesota’s economy requires reliable service. If manufacturers, mining operations, medical technology companies, small businesses, or others cannot rely on constant utility service, then the backbone to the economy falters affecting the livelihoods of families across the state. With the energy transition heading into uncharted territory in terms of resource diversity, infrastructure constraints, market anomalies, cyber threats, and extreme weather events, it is critical to have a strong regulatory function that ensures utilities are serving all families and children with affordable and reliable service.

Equity and Inclusion:

While this proposal is not specifically aimed at an equity and inclusion initiative, there are elements of the proposal that have equity and inclusion elements. First, the Department wants to ensure ERP staff represents the public it serves and therefore will prioritize, to the extent possible, hiring resources that meet the Administration’s equity and inclusion goals. Second, the Department makes recommendations to the PUC for decision-making on behalf of the public. The PUC prioritizes equity and inclusion goals (for instance, the COVID recovery and relief related dockets) to ensure a just transition in the energy system. The Department and ERP staff need to be well equipped with resources that not only represent the public, but that can also shape the PUC’s decisions that will affect utility energy choices relative to equity and inclusion of various populations.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

Tribal governments and members will benefit from the collective effort of the Department’s focus on electric system reliability.

IT Costs

N/A

Results:

The proposal is not for a new program, but rather to address newly passed federal legislation, the first significant build-out of transmission in a decade, and to accommodate increasing complexities of energy policy and workforce transition. The goal is to respond to all these pressures in a timely manner and with expert ability.

There are no specifically proposed results or performance metrics, but the Department is open to legislative or executive reporting requirements such as an annual report. The report could include a tally of types of dockets addressed, number of dockets processed, number of staff per docket, hours per docket, outcomes of Department recommendations, etc.

Statutory Change(s):

None

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Pre-Weatherization and Workforce Training

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | \$2,630 | \$21,340 | \$690 | \$690 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | \$2,630 | \$21,340 | \$690 | \$690 |
| FTEs | 1 | 6 | 6 | 6 |

Recommendation:

The Governor recommends \$2.63 million in FY 2024, \$21.34 million in FY 2025 and \$690,000 per year in ongoing funding starting in FY2026 from the General Fund to augment the Weatherization Assistance Program (WAP).

These funds will help address issues exacerbated by the pandemic, offering specific areas of relief to income-eligible households throughout Minnesota. In addition, these funds will help reduce the possibility of a cliff of services caused by significant increase in funding by the Low-Income Home Energy Assistance Program (LIHEAP) that ended in September of 2022, ensuring a robust, ongoing workforce of contractors statewide

This program will improve access to decarbonization measures and help address deferrals, or denied services, caused by limitations of WAP which, if addressed, could improve the health of vulnerable Minnesotans. These deferrals within the current Weatherization Assistance Program are due to the inability to address pre-weatherization measures, which result in inequitable service to those income-eligible households that live in the oldest and poorest housing stock. Common causes of deferrals that the current Weatherization program does not address include asbestos-laden vermiculite insulation, knob & tube wiring, and bulk mold/moisture caused by roofing or structural issues.

This proposal will provide additional, low-cost services, such as handrails for the elderly, to ensure that once the weatherization measures take place, those that are served can remain in their homes and provide efficiency of services. This proposal aims to both supplement the current program by serving more households and by allowing for services that would otherwise be denied due to current federal limitations in the traditional program. Finally, funds would be utilized to establish a Weatherization Training Grant Program at the department.

Rationale/Background:

Minnesota's most vulnerable - the elderly, ill, children, and front-line workers have been most impacted, in their homes, during the pandemic in a number of ways, including: "sheltering in place" in inefficient, sometimes nearly uninhabitable, housing stock, with the highest rates of indoor air quality issues leading to high rates of asthma, COPD distress, and other life-altering health conditions. These same households are most impacted by climate change impacts of increased extreme weather events such as cold, flooding, and wind damage.

A May 2020 report ***Making Health Count: Monetizing the Health Benefits of In-home Energy Efficiency Services*** published by the American Council for an Energy Efficient Economy (ACEEE) stated "If existing weatherization

programs targeted four common health risks—asthma, falls, and exposure to extreme heat or cold—they could save more than \$228 million due to avoided health harms. Those savings could reach \$2.9 billion over 10 years.”¹

Three of the above named health risks – falls and exposure to extreme heat or cold – are health risks that Minnesota Department of Health² identified in the April 2019 Minnesota Department of Health (MDH) publication ***Climate and Health Strategic Plan: an update on program successes and next steps***. MDH noted the increasing prevalence of these climate-change related health risks for all Minnesotans, and that these three risks could affect aging Minnesotans, as a group, most severely. In addition, “By 2035, the age 65+ group is expected to eclipse the under 18 population for the first time in our state’s history.”³

In addition, due to current federal restrictions, renters (whether single family, duplex, or multifamily tenants) statewide receive a lower percentage of services than homeowners. Some multi-family landlords are less likely to improve income-eligible tenant units while carrying an increased financial burden. Contractors have also left the program, citing frustration with federal and state requirements, making it difficult in greater Minnesota to solicit services at the level of federally required Standard Work Specifications. Finally, federal funds have specific limitations to products that are now seeing supply chain issues, sometimes impacting the current program to the point of walking away (aka deferrals) from serving a household (e.g. specific window requirements for manufactured homes receiving weatherization services).

In order to meet the Administration’s climate goals, we need many more tools in our toolbox to achieve decarbonization of our built environment. 70% of buildings that will exist in 2050 – when we must be decarbonized - already exist today. Existing multifamily, single family, and manufactured homes are more complicated to retrofit, and yet also present the strongest opportunity to enable cost savings and health benefits to Minnesotans who need it the most. Weatherized and solarized buildings help reduce greenhouse gas emissions while improving indoor air quality, occupant safety and delivering lower cost energy bills.

Numerous stakeholders from low-income advocates to energy advocates, legislators, and other elected officials have lifted the issues addressed in this proposal. In fact, last year this proposal gained bi-partisan support, passing through the Energy Conference Committee.

In 2021 Commerce hosted listening sessions with all 23 community action program, tribal and local governmental weatherization assistance program Service Providers who repeatedly raised the issues of deferrals of homes (denied services), roofing issues limiting solar installation, contractor shortages, supply chain issues, United States Department of Energy (US DOE) programmatic limitations, and bulk water issues. In addition, Commerce held multiple community-based organizational outreach meetings from which the multifamily decarbonization grants idea emerged. Multiple organizations, legislators, and a PUC Commissioner all have called for increased weatherization funding through the Informal [MN Weatherization Working Group of 2021-2022](https://mn.gov/commerce-stat/pdfs/wap-working-group-no-logo.pdf) (<https://mn.gov/commerce-stat/pdfs/wap-working-group-no-logo.pdf>). The working group recommendations included: “Supplement the federally funded Weatherization Assistance Program (WAP): Allocate \$30 to \$40 million of state resources annually for the next 10 years, to supplement federal funds, in order to ensure stable funding of \$80 million annually.”

Finally, the Climate Subcabinet has proposed a 50% carbon reduction in existing buildings goals which this proposal will help to advance. The funding levels and statutory language for this proposal were included in the final Energy and Jobs Omnibus report in the 2022 Session that was not brought up for a final vote.

¹ <https://www.aceee.org/research-report/h2001>

² <https://www.health.state.mn.us/communities/environment/climate/docs/progressreport.pdf>.

³ Ibid., page 8.

This proposal will serve more income-eligible Minnesota households, in particular those most impacted by COVID and by climate change, with comprehensive weatherization services in order to reduce their energy burden, reduce carbon emissions, and protect these households from the negative impacts of Covid and Climate Change.

Connection to Climate Action Framework

This proposal aligns with several priority actions in the resilient communities goal area:

- Planning for climate adaptation in residential development
- This proposal aligns with several priority actions in the clean energy and efficient buildings goal area:
- Weatherizing a quarter of dwellings where occupants earn 50% or less of the state median income by 2030
- Reducing energy use by 10% and total waste heat and waste electricity by 15% compared to 2005 levels by 2030
- Reducing energy burden so that at least 80% of Minnesotans spend less than 5% of their household income on energy costs
- Reduce statewide primary energy usage by 10% compared to 2005 levels by 2030

This proposal aligns with several priority actions in the clean economy goal area:

- Create a clean economy workforce and economic development plan
- Develop worker skills
- Identify and remove barriers to employment and training

This proposal aligns with the healthy lives and communities goal area:

- Support healthy communities

Proposal:

This proposal builds on the already successful weatherization assistance program by serving more homes and addressing areas limited by current funding in order to serve households that otherwise would have been denied services. This proposal addresses all of the major limitations in the current program by assisting local service providers to reach those “hard to reach” households due to structural issues, including mold and moisture, and by expanding services in areas that have been traditionally limited by federal requirements (e.g. multi-family complexes). This funding will meet the hardest hit at the greatest time of impact.

- This proposal expands activities that can be funded with grants issued by the state to supplement the federal weatherization program. These include:
- installing pre-weatherization measures (in alignment with the ECO Act of 2021) and addressing other physical deficiencies in eligible residences that prevent the use of federal weatherization funds under current federal law;
- conducting outreach activities to publicize the availability of weatherization assistance and assist households with applications;
- installing complementary measures necessary for long-term assurance that the weatherization measures benefit the income-eligible household; and
- expanding training opportunities for weatherization workers

This proposal also establishes a Weatherization Training Grant Program at the Department of Commerce. Eligible grantees include nonprofits, labor organizations, job training centers, and educational institutions.

Administrative expenses will be done in adherence with US DOE’s administrative limitations (with current allowance of up to 7.5% annually for state outreach and administration, including IT services and administrative contracts and up to 3% for leveraging activities and 17% for monitoring and training activities). With an estimated 200 units to be monitored, along with training/technical assistance, and contracting responsibilities, additional FTE will be needed at the state, including:

Training and Monitoring Activities:

- 3 FTE (10-14L) for monitoring of households: 3 FTE at \$125,000 per year = \$360,000 annually
- 1 FTE (10L) for training, technical assistance, and communication: 1 FTE at \$110,000 per year = \$110,000 annually

Administrative Activities:

- 1 FTE (10L) for project and data management: 1 FTE at \$110,000 annually
- 1 FTE (7L) for grants, contracting, and administrative services: 1 FTE at \$95,000 annually

Total FTE costs = \$675,000 annually (with additional funding utilized for training and local contracts).

Note, the total amount is 7.5% of the total annual budget of \$9M due to the monitoring and training components (actual admin. activities by the state = 2.2% annually)

Impact on Children and Families:

The Weatherization Assistance Program addresses income inequality by providing one-time energy upgrades to income-eligible households at 200% of the federal poverty level or 50% state medium Income and below. However, within the current WAP program, additional inequities prevail based on factors such as housing stock, rental versus home ownership, and geographic location making it more costly to serve some households. In addition, realities such as asbestos-laden vermiculite or extreme weather events can cause households to be denied services. At the same time, some of these very realities are why children and the elderly are more greatly impacted by extreme weather events, negative household contaminants, and geographic distance. This initiative will assist in providing additional services to more Minnesotans and address inequities within the structure of the current program.

Children, elderly, and those with physical challenges are especially at risk of developing worsening health conditions when living in inadequately equipped or poorly maintained homes. Rates of asthma, COPD, cardiovascular disease - all chronic conditions on which the indoor environment is a factor - are more prevalent in low-income communities. Sheltering in-place during the COVID-19 pandemic has worsened the health of some with chronic conditions because of the un-healthy home environment. In-home weatherization upgrades decrease some of the negative indoor environmental factors underlying chronic diseases, but other in-home factors remain which, if addressed, could improve the health of vulnerable Minnesotans.

There is increasing awareness that the Social Determinants of Health (SDOH)¹, including Housing, are as just as important to one's ability to remain healthy, if not more so, than clinical care approaches. The SDOH framework recognizes that many chronic diseases are worsened by poor or inadequate housing, a reality disproportionately affecting low-income Minnesotans and communities of color. Recognition of the importance of SDOH is resulting in nation-wide, multi-sector support for an implementation of a Healthy Home or Weatherization Plus approach. This approach would allow implementation of additional home modifications, over and above the current WAP energy and minor health and safety measures, to positively affect the health of WAP recipients, assist those with conditions, particularly the elderly in living longer in the homes, and improving total WAP offerings.⁴

⁴⁴ For additional information on Social Determinants of Health, see the Office of Disease Prevention and Health Promotion Website, developed by the Federal Interagency Workgroup Healthy People 2020 initiative. <https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-of-health>

Equity and Inclusion:

Individuals with disabilities, the elderly, households with children, and those with high energy use and high energy burden are prioritized within the weatherization assistance program to receive services. However, the current program limits micro-targeting of specific disadvantaged communities based on these priorities. This new funding will allow recently developed data sets to inform where services can be targeted for greatest impact and to address the greatest inequalities within current Minnesota services.

As mentioned above, those living in the worst housing stock often have the least power to modify their situation as renters, elderly, children, or the disabled. By targeting this housing stock, we have an unprecedented opportunity to significantly reduce the number of previously deferred households by addressing those very housing-related issues that cause health and income inequities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

All income-eligible households within the Tribal nations sharing geographic boundaries with Minnesota can apply for weatherization services. However, with the funding allocation formula provided, some nations receive only enough funding to weatherize a few housing units each year. Meanwhile, WAP eligible Native American households face some of the highest energy burdens in the state, with 2 to 3 times higher (or more) energy burdens even after energy assistance is received. At the same time, some tribal housing has to be deferred due to pre-existing conditions. Providing whole-house comprehensive weatherization services in such a way that disadvantaged communities can be prioritized for services could have a significant impact on multiple tribal nations such as Bois Forte, which due to the distance traveled by contractors (limiting services based on savings to investment ratios required by the US DOE) has been historically underserved. Having a consistent stream of state funding will allow for efficiencies of scale and increased service to Tribal nations.

Results:

Within the current Weatherization Assistance Program, multiple performance measures are utilized, including strict standard work specifications, the highest efficiency materials standards, training and certification of locally based Quality Control Inspectors (QCI), and state-level QCI quality assurance monitoring. Every household receiving comprehensive weatherization services is inspected by a Quality Control Inspector in order to ensure that they receive the highest level of service possible and in accordance with all US DOE or state-level requirements.

| Type of Measure | Name of Measure | PY18 (FY19) | PY19 (FY20) | PY20 (FY21) | Dates: Program Year & Fiscal Year |
|------------------------|---|--------------------|--------------------|--------------------|--|
| Quantity | Total households served, by year (all funds) | 1850 | 1061* | 1376* | July 1 – June 30 |
| Quantity | Total households with one or more elderly individuals, by year (all funds) | 541 | 395 | 529 | July 1 – June 30 |
| Quantity | Total households with one or more disabled individuals, by year (all funds) | 477 | 314 | 545 | July 1 – June 30 |
| Quantity | Total households with one or more children served, by year (all funds) | 686 | 373 | 592 | July 1 – June 30 |

**The decrease in PY19/FY20 and PY20/FY21 households served is due to issues related the pandemic, including a temporary pause in entering homes to service.*

IT Related Proposals:

N/A

Statutory Change(s):

This proposal makes changes and additions 216C.264

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Standardized Plans

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | \$136 | \$136 | \$136 | \$136 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | \$136 | \$136 | \$136 | \$136 |
| FTEs | 1 | 1 | 1 | 1 |

Recommendation:

The Governor recommends \$136,000 in FY 2024 and on-going from the General Fund for staff in the Insurance Division. The additional staff person will work to advance Commerce’s efforts toward making health insurance simpler and easier for Minnesotans to understand and use. This proposal also includes statutory changes around standardized health plans.

The standardized health plans will enable Minnesotans’ ability to meaningfully distinguish between plans and to choose a product that best fits their medical and economic needs. Additionally, standardized health plans will create a framework through which Commerce can advance additional goals, such as increasing affordability, improving access to needed care, and reducing health disparities.

This proposal would provide Commerce, Minnesota Department of Health (MDH) and MNsure with increased ability to react in a systemic way to specific complaints or concerns received about consumer confusion related to the selection of insurance coverage and plans.

This proposal advances Commerce’s effort to have health insurance be simpler and easier for Minnesotans to understand and use. These statutory changes and additional staffing will also help the department’s work relating to increasing affordability, improving access to needed care, and reducing health disparities.

Rationale/Background:

This proposal advances Commerce’s effort to have health insurance be simpler and easier for Minnesotans to understand and use. As evidenced in other states, this will make it easier for people to meaningfully distinguish between plans and choose a product that best fits their medical and economic needs. It creates the framework Commerce needs to be able to advance other goals includes increasing affordability, improving access to needed care, and reducing health disparities.

Standardized health plans can be a key component of any public option that Minnesota might choose to explore as part of future policymaking. Standardized plans, required for each county in each coverage area, would ensure geographic equity in standardized offerings, promoting a more fair and universal impact across all the coverage areas served by the marketplace.

- Further, this proposal protects the public interest by making sure that shopping for health insurance is simpler and more accessible for those purchasing insurance on their own.
- The proposal helps Commerce serve as a trusted public resource by promoting consumers’ need for more understandable health insurance options, while still preserving people’s ability to shop for and choose a health insurance plan.

- The proposal reduces economic barriers by making sure that consumers are purchasing a plan that best fits their medical and economic needs. This ensures that people can derive higher value for their health care spending. As other states with standardized health plans have done, this change will also give Commerce more ability to implement benefit changes that address economic barriers that may be in place for accessing certain types of medical services (e.g., primary care, mental health care, and certain kinds of prescription drugs).
- Lastly, the competitiveness and fairness of the marketplace is promoted by continuing to allow health plans to offer innovative plans design and compete based on the quality of their networks and brand. It does not turn plans into homogenous products.

Proposal:

Picking a health plan can be complicated and overwhelming for people if offered too many choices. Research has demonstrated that standardization helps people find a plan that best fits their needs.¹ This legislative change will allow consumers to make apples-to-apples comparisons between similar plans, cutting down on confusion and complexity when shopping for health insurance.

There are currently approximately 160,000 people enrolled in an individual market plan. This proposal serves individual Minnesotans seeking to purchase health insurance through the state marketplace.

MNsure, the Minnesota Department of Health (MDH), and Commerce have all expressed interest in implementing standardized plans based on feedback from Navigators/Brokers, consumer advocates, and in observing the impact standardized plans have had in other state health insurance marketplaces. Commerce is currently in discussions with MNsure about this proposal.

This initiative would utilize the regulatory policy decision process as provided in the Annual Instruction Guide to users, to promote and inform users about standardization. This process will allow the agency to adequately make changes from year to year based on market trends. In addition, the process will allow for ongoing input from stakeholders, including health plans and consumers.

There is nothing that would require Commerce to pass this in 2023. However, if the proposal passes as part of the 2023 legislative session, the earliest we would be able to implement would be starting in the 2025 plan year.

Delaying passage of this proposal will continue to push back that timeline.

Impact on Children and Families:

This proposal would provide Commerce more ability to react in a systemic way to specific complaints or concerns we receive relating to individuals’ health insurance. Through these changes, more Minnesotans will have health insurance that is simpler and easier for them to navigate

Equity and Inclusion:

Enacting this policy would increase Commerce’s ability to directly address health disparities. Other states have included a specific requirement that their standardized plans promote health equity, still others have used their standardized plan design to reduce cost-sharing for certain health conditions that disproportionately impact people of color. Standardization would allow Commerce to integrate some of those reforms into the process that advance equity and inclusion by design, within existing regulation authority.

¹ [Facilitating Consumer Choice: Standardized Health Plans in Health Insurance Marketplaces](#), ASPE; December 2021

As noted above, this proposal will create more upfront work for Commerce staff. Adoption of the proposal will provide a vehicle to ensure our work is reflecting the needs of the community. Additionally, this may reduce the time needed to review standardized plans, given that they would be similar across carriers. This proposal will add to our department’s workload; however, it will also enable us to further engage with the people and organizations impacted by our work.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

IT Costs

N/A

Results:

As a new proposal, there are no existing performance measures. However, if implemented, we recommend reviewing:

- The percentage of people enrolled in standardized plans vs non-standardized plans
- Qualitative information from Navigators, assistors, agents, and brokers about the enrollment experience
- Changes in the number of issuers within the market by county

Statutory Change(s):

62V.05, subd. 5, 62Q.081

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Enforcement Division Staffing Realignment

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | \$248 | \$248 | \$248 | \$248 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | \$248 | \$248 | \$248 | \$248 |
| FTEs | 1 | 1 | 1 | 1 |

Recommendation:

The Governor recommends \$248,000 in FY 2024 and ongoing from the General Fund for the Enforcement Division. This appropriation will fund the reallocation and reorganization within the division and one additional consumer support position.

Rationale/Background:

The volume of cases the Enforcement Division receives has increased by 10% to 15% annually for the past 5 years.

Due to these increases, the per employee volume that enables each file to have a thorough and detailed review and completed within a timely manner has been exceeded. Realigning the division and adding new management structure will lead to the division’s teams being more efficient in how they allocate and prioritize available resources. Minnesota licensees and consumers have indicated to the department that they want more interaction with the division, realigning responsibilities will enable staff to be more available for community outreach, training and general engagement.

Adding capacity to engage with our communities Protects the Public Interest by working with them closely to better understand such flood insurance, homeowners’ insurance, claims filing and disaster response and resiliency.

These issues particularly affect marginalized communities across Minnesota. By decreasing the average amount of time it takes to close case files, the department will maintain its role as a trusted resource for consumers. To a smaller measure it is likely that this would help to reduce economic barriers by more quickly getting money back into the hands of MN consumers.

This proposal also will expand the Enforcement Division’s ability to reach greater Minnesota, especially in community outreach. By adding this task to specific responsibilities and shifting traditional work to other team members, the division can be more agile and flexible on engagement further from the metro area.

Proposal:

This proposal increases the Enforcement Division’s capacity to serve Minnesota consumers and licensees by adding key personnel and realigning its management structure.

This proposal would create a new Senior Director of Insurance Investigations position that oversees Market Conduct and Civil Insurance investigations. This position would coordinate state and national enforcement related

insurance policy, coordinate information between the enforcement division and the insurance division and develop and implements staff development programs.

This proposal would also create a new Senior Director of Enforcement Services position that oversees the customer care team. This position would coordinate consumer data with investigative teams to help focus investigative resources on emerging consumer issues. The position would also conduct community outreach on areas like natural disaster response and preparation, complaint submission process and develop and distribute data analysis tools for the enforcement division. The position would also maintain division policies and facilitate regular reviews and updates.

The proposal would also add a consumer aide position to support consumer care team efforts.

New positions

1. Consumer Aide Senior: (1) (Consumer Care Team)

Reallocations:

2. CA3 to Management Analyst 4: (1)
3. Commerce Analyst 3 to Senior Investigator: (1)
4. Investigator Senior to Investigations Supervisor: (2) (Creates Senior Directors for Insurance Investigations and Enforcement Services)

Impact on Children and Families:

Minnesota families will benefit from increased Enforcement Division capacity to engage with communities, allowing them to better understand such flood insurance, homeowners’ insurance, claims filing and disaster response and resiliency.

Equity and Inclusion:

Minnesotans from disadvantaged communities will benefit from an expanded capacity to act on their behalf. With the proposed realignment of responsibilities, the division will be better able to work directly with recent immigrant communities, communities that have not historically benefitted from their work.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

IT Costs:

N/A

Results:

The Enforcement Division uses data generated by SIRCON and Pulse to determine per investigator statistics that measure: the number of investigations opened, number of cases closed, number of calls taken, number of calls forwarded, time available for calls, number of cases resulting in civil penalties, amount of civil penalty collected, amount of money returned to consumers, number of days to close a case, number of cases that result in no action, number of inquiries that are referred to other agencies.

The division has on-going goals that relate to their metrics: 1) continual analysis to determine the ‘mean’ for each measured area to set a standard for investigator performance; 2) refine processes and techniques to reduce the

time a file remains open; 3) identify the high call volume periods and manage staff availability during the highest volume periods; 4) analyze our penalties to ensure consistency across the teams and in compliance with statutes.

The division uses Tableau to organize and portray all this data. The data and systems team is intended to expedite the collection and analysis of available data, maximize how they use their systems to enhance efficiency and accuracy; work with investigators and supervisors to refine how we see and understand data available.

Adding the two Senior Director positions gives a greater capacity to manage this process from a strategic perspective as well as provide a capacity to see how different metrics can affect relationships and prioritization of resources to best coordinate department efforts.

This restructure is intended to maintain a status quo in the division’s ability to handle our current and anticipated case load for the next year based on the extrapolation of data provided in the table below.

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Years</i> |
|------------------------|---|-----------------|----------------|---------------------|
| Quantity | Civil Investigations Initiated | 4,500 | 4,638 | CY 2020 and CY 2021 |
| Quantity | Criminal Investigations Initiated | 3,600 | 2,991 | CY 2020 and CY 2021 |
| Results | Formal Civil Administrative Actions Taken | 222 | 273 | CY 2020 and CY 2021 |
| Results | Civil Penalties Assessed | \$2.1 million | \$1.8 million | CY 2020 and CY 2021 |

Statutory Change(s):

N/A

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Continued Coverage of Preventative Services

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|------------|------------|------------|------------|
| General Fund | | | | |
| Expenditures | \$34 | \$34 | \$34 | \$34 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | \$34 | \$34 | \$34 | \$34 |
| FTEs | .25 | .25 | .25 | .25 |

Recommendation:

The Governor recommends codifying into state statute existing federal statutes and regulations, specifically Section 2713 of the Affordable Care Act (ACA), that allow Minnesotans to access certain preventive services at no cost. These federal rules are currently subject to legal challenges. Commerce’s proposal includes funding for part of an FTE to manage policy changes associated with these legal challenges.

In September 2022, a district court in Texas ruled that components of Section 2713 were unconstitutional. However, a ruling from the district court on the scope of remedy is still forthcoming and expected sometime in 2023. It is also expected that the Biden administration will appeal the court’s decision to the U.S. Court of Appeals for the Fifth Circuit. The legal outcome of the current court case may impact the fiscal cost of this proposal.

Rationale/Background:

Section 2713 of the ACA requires most non-grandfathered health plans to provide coverage for certain preventive services with zero cost-sharing to enrollees. Zero-cost preventive services for enrollees are defined at the federal level. The elimination of the ACA’s preventive care coverage provision would make it permissible for health plans to require cost-sharing (or even deny coverage) for over 100 clinically accepted preventive care services currently covered by commercial health plans.

The current ACA provisions, which are under review provide important consumer protections related to health care that improve opportunities to deliver services before more costly debilitation. The delivery of preventative services positions providers and health systems a means to improve health outcomes, in both a person-centered, as well as an industry-wide manner.

Existing regulatory guidance on Section 2713 specifies the United State Preventive Services Task Force (USPSTF)¹, the Health Resources Services Administration (HRSA), and the Centers for Disease Control and Prevention’s (CDC) Advisory Committee on Immunization Practices (ACIP) as having the authority to make determinations of what services and items are considered to be preventive.

As noted above, the constitutionality of Section 2713 has recently been challenged in the U.S. District Court in *Braidwood Management Inc v. Becerra* (formally known as *Kelly v. Becerra*). The ruling concludes that the USPSTF involvement with making preventive care recommendations, as specified under the ACA, violates the

¹ The USPSTF is a congressionally established body of experts and makes evidence-based recommendations about preventive services such as screenings, behavioral counseling, and preventive medications must be covered as preventive for the general population.

Appointments Clause of the U.S. Constitution. Although included under USPSTS recommendations, PrEP for HIV prevention was also indicated to be a service that violates the Religious Freedom Restoration Act (RFRA).

Minnesota’s existing preventive care statutes address only a fraction of the services recommended by the USPSTF, HRSA, and ACIP. This proposal seeks to ensure that the clinically appropriate recommendations made by experts and that are accepted by the general medical community continue to be a baseline for preventive care coverage in Minnesota.

Proposal:

Due to ongoing legal challenges, the department proposes codifying Section 2713 of the ACA into state statute. This will ensure that health insurers regulated by state law will be required to provide preventive services at no cost to enrollees absent a federal requirement to do so.

This statutory change will result in a slight increase in staff work requiring .25 FTE per year beginning in FY 2024 which will have an annual cost of \$34,000.

Impact on Children and Families:

This proposal seeks to maintain current preventive services coverage requirements at no cost. These preventive services include a variety of screenings, tests, and exams that help prevent more expensive or deadly health problems and include services such as immunizations, well-child visits, and mental health screenings

Equity and Inclusion:

This proposal is in line with Commerce’s focus on promoting equity and eliminating racial disparities. No-cost preventive services increase individual use of the services in all populations—but especially improve in minority populations, which historically have experience barriers to care and health disparities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

Commerce will need to proactively communicate Minnesotans’ rights to no-cost preventive care, which will take a significant communication outreach.

IT Costs:

N/A

Results:

Preventive Services are currently covered under the Affordable Care Act. The results of this change would only become evident in the event that Section 2713 of the ACA is struck down in a successful legal challenge.

Statutory Change(s):

62Q.46, 62Q.81, 62D.02, 62D.095

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Strengthen Minnesota Homes

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | 16,239 | 16,239 | 1,239 | 1,239 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 16,239 | 16,239 | 1,239 | 1,239 |
| FTEs | 7 | 7 | 7 | 7 |

Request:

The Governor recommends \$16.239 million in FY 2024 and FY 2025 and \$1.239 million starting in FY 2026 and ongoing from the General Fund for the “Strengthen Minnesota Homes” grant program. This appropriation will support program staffing, operations and public engagement in FY24 with program operations appropriations beginning in FY26 (July 1, 2025).

Rationale/Background:

Climate impacts continue to be felt by Minnesota Consumers

Climate change is impacting Minnesotans every single day – With disproportionate impacts on Minnesotans who live, work in or are part of communities that have been underinvested in by the State.

Making home improvements can be cost-prohibitive without financial assistance and maintaining adequate homeowner’s insurance over time is expensive. Helping Minnesotans make improvements to their homes builds climate resilience on individual and community levels. Doing so keeps Minnesotans healthier and safer in their homes and can ultimately save them money by pre-covering their homes from a storm rather than recovering from one.

According to the Minnesota Climate Action Framework, Minnesota is warmer and wetter because of climate change.¹

These climate changes are driving stronger and more devastating storms which, in turn, are driving increased insurance costs.

- According to the Insurance Information Institute, Minnesota significantly outpaced its neighboring states for incurred insurance losses in 2021.²
- According to the Insurance Federation of Minnesota, aggregate claims thus far in 2022 exceed where they were at the end of 2017 – a year which included a \$3.2B storm event.

In response to increasing costs and climate-driven risks, the insurance industry has responded by increasing homeowners’ insurance premiums and limiting coverages both in Minnesota and across the nation.

¹ Minnesota Climate Action Framework pages 8 and 9: https://climate.state.mn.us/sites/climate-action/files/2022-01/Climate%20Action%20Framework%20Draft_2.pdf

² <https://www.iii.org/publications/a-firm-foundation-how-insurance-supports-the-economy/a-50-state-commitment/incurred-losses-by-state>

According to the Insurance Federation of Minnesota, between 1998 and 2016, the average homeowner’s premium increased more than \$1,000 and is now above the national average. The Department is receiving more complaints about homeowners’ insurance: the Consumer Services Center reports an 18.6% increase in complaints since 2020.

Proven to work in other states

States that have enacted similar programs have helped protect residents from the dangers of climate-driven perils (creating climate resiliency), saved policyholders money on insurance premiums (which, in turn, reduces insurance risk for insurers) and created jobs.

- The Strengthen Alabama Homes program has fortified approximately 3,000 homes in that state since the program’s inception, creating \$52.4M in economic activity, \$1.7M in worker earnings and 513 new jobs according to a study of the program’s economic and fiscal impacts by the University of Alabama Culverhouse College of Business Center for Business and Economic Research.³
- Several states offer homeowners insurance discounts or credits for policyholders who harden structures against climate-driven perils:
 - Georgia offers 5-10% premium discounts for wind peril protection issued by the Georgia Underwriting Association
 - Mississippi offers wind mitigation credits of 20-30% issued by the Mississippi Windstorm Underwriting Association
- Mitigating climate-driven insurance risks is a better strategy for consumers and industry than insurers perpetually raising premiums to cover rising claims payouts.
 - According to a National Institute of Building Sciences (NIBS) 2019 report, mitigation saves up to \$13 per \$1 invested.⁴

Connection to Climate Action Framework

This proposal aligns with several priority actions within the Climate Action Framework and advances the State’s climate goals in multiple areas. This proposal provides more adaptation resources for resilient communities, helps assess vulnerabilities within climate-impacted communities and adopts resilient building policies at an individual level. The proposal also supports positive health and safety outcomes within the healthy lives and communities goal and aligns with several priority actions within the clean economy goal area.

Proposal:

The “Strengthen Minnesota Homes” program assumes an initial General Fund investment of \$50M a biennium beginning in FY26.

This proposal assumes initial funding for program staffing, operations and public engagement in FY24 with program operations appropriations beginning in FY25 (January 1, 2025).

Funds in FY 2024 would establish a distinct unit within the department. This unit will work cross functionally with internal partners.

The proposal assumes funding beginning in FY 2026 for workforce training for contractors and evaluators to perform projects and includes an outreach and public awareness budget to publicize the program across the state.

The new unit will consist of the following staff:

³ <https://alabama.app.box.com/s/ikwakxepejlp16sn7oa4jmp76eemmq8d>

⁴ National Institute of Building Sciences 2019 Report. http://2021.nibs.org/files/pdfs/ms_v4_overview.pdf

- Program manager
- Consumer support role that can assist with applications and questions
- Liaison(s) to serve as a link between applicants, contractors and IBHS certified evaluator to ensure that projects are moving forward
- Program controller to handle follow up tasks like following up with the applicants for documentation following project completion, engagement with other Commerce-administered programs, contractor certification/compliance
- Dedicated financial management support
- Insurance rate filing staff to ensure insurers make discount rate filings and discounts are properly given to program participants once a project is complete.

Program features will be specifically targeted to historically disadvantaged Minnesotans who live in areas of the state that are the high risk of climate-driven perils. In doing so, the program will build climate change resilience at the individual and community levels while improving health and safety outcomes.

The program will reduce economic barriers to access these climate change mitigation and resiliency opportunities by offering direct financial assistance to make home improvements – and through insurance discounts that make insurance more affordable in the long term.

By mitigating climate-driven insurance risk, the program will help insurance markets remain stable, competitive, and affordable.

Through effective stewardship of the program, the Department will serve as a trusted resource for Minnesotans and for the economic systems the agency regulates.

This program provides an opportunity to take direct action to mitigate the effects of climate change in Minnesota, which is in the public interest. The program does so with intentional design to lower costs for Minnesotans who are most vulnerable to a changing climate, cumulative benefits on the community level, and positive economic opportunities for the insurance industry.

Impact on Children and Families:

This proposal will impact Minnesota families who own homes, with priority given in the design of the program to drive maximum impact for those who are most vulnerable to climate change. This proposal is designed to reduce the cost of hardening Minnesotans’ physical homes against the increasing risk of climate change-driven perils.

Equity and Inclusion:

This proposal’s features will be specifically targeted to historically disadvantaged Minnesotans who live in areas of the state that are the high risk of climate-driven perils. In doing so, the program will build climate change resilience at the individual and community levels while improving health and safety outcomes.

The program will reduce economic barriers to access these climate change mitigation and resiliency opportunities by offering direct financial assistance to make home improvements – and through insurance discounts that make insurance more affordable in the long term.

The design of the program’s eligibility criteria and work prioritization will ultimately answer this question. By prioritizing income-eligible Minnesotans living in geographic areas with a higher climate burden or vulnerability as identified through the use of a Climate & Equity Index, insurance catastrophe modeling and insurance claims data, the program can design an eligibility criteria that supports an equitable transition to a more resilient state for front-line communities that shoulder higher insurance risks.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

IT Costs

N/A

Results:

Once established, the program will establish annual goals for:

- Number of homes FORTIFIED
- Number of contractors and evaluators trained and performing work
- Insurance premium savings for consumers

In addition to programmatic goals, this proposal supports several priority actions and measurable outcomes in the Climate Action Framework that can be used to measure the effectiveness of the program:

- Weatherizing a quarter of dwellings where occupants earn 50% or less of the state median income by 2030
- Reducing energy burden so that at least 80% of Minnesotans spend less than 5% of their household income on energy costs
- Create a clean economy workforce and economic development plan
- Develop worker skills
- Identify and remove barriers to employment and training

In other states with existing programs, data is collected at the program operations level, shared with program parties so that program participants can receive insurance discounts based on work being completed, and is shared through dashboards and other means. For example, the University of Alabama study on the economic impact of the Strengthen Alabama Homes program was based upon the program's initial operations in two counties.

Statutory Change(s):

Yes. Commerce will work with the Revisor of Statutes to best determine chapter location.

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Maintain Current Service Levels

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 1,056 | 2,069 | 2,069 | 2,069 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 20 | 41 | 41 | 41 |
| Revenues | 0 | 0 | 0 | 0 |
| Workers Compensation Fund | | | | |
| Expenditures | 27 | 54 | 54 | 54 |
| Revenues | | | | |
| Net Fiscal Impact = (Expenditures – Revenues) | 1,103 | 2,164 | 2,164 | 2,164 |
| FTEs | 0 | 0 | 0 | 0 |

Request:

The Governor recommends additional funding of \$1.056M in FY 2024 and \$2.069M in each subsequent year from the general fund, \$20,000 in FY 2024 and \$41,000 in each subsequent year from the Petrofund and \$27,000 in FY 2024 and \$54,000 in each subsequent year from the Workers Compensation Fund to maintain the current level of service delivery at the Minnesota Department of Commerce.

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, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect.

However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

For the Minnesota Department of Commerce, operating cost pressures exist in multiple categories—increases in compensation and insurance costs at the agency, increasing costs to maintain our current staff complement in a challenging labor market, and increasing IT costs. If an operational increase is not provided, the services Commerce delivers to Minnesotans will be impacted and the department will not be able to maintain the delivery of current services and address critical risk management concerns.

Proposal:

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

Results:

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

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|--|------------------------------------|------------------------------------|---------------------|
| Quantity | Payroll Costs Per FTE (including employer-paid health care contributions and other employee costs) | \$102,300 avg cost per employee | \$117,400 avg cost per employee | FY19 and FY22 |

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Money Transmission Modernization Act

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 12 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | (12) | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Request:

The Governor recommends adoption of the Money Transmission Modernization Act as approved by the Conference of State Bank Supervisors (CSBS).

Rationale/Background:

The Money Transmission Model Act is a key tool for states to maintain authority over money transmission. Federal regulators and Congress have made clear their intent to preempt state authority over money transmitters. This federal preemption would override state consumer protection laws and provide larger, more established companies with a competitive advantage, hindering innovation and consumer access.

Proposal:

This Model Act contains uniform standards that will empower states to use technology, apply data analytics and share resources together as a networked system of state supervision. This standardization includes:

- Definitions applicable to money transmitters, eliminating technical differences between states that make compliance difficult for companies operating in multiple states.
- Exemptions from money transmitter licensing to promote consistency between states.
- The licensing process, including determinations of who is in control of a licensee and the vetting process. Using the technology in the updated National Multistate Licensing System for vetting licensees means that more licensees will go through the multistate licensing process already in place, which results in a more efficient process that ensures licensees are being well-managed.
- Safety and soundness requirements, including net worth, bonding, and permissible investments. This allows the Department to monitor requirements using analytics to better assess those entities that pose the most financial risk to consumers, which we can in turn target for examination.

In addition to helping maintain state authority over money transmission, the Model Act enhances current Minnesota Statute with:

1. Call report requirements. Quarterly financial reporting is a key component of effective regulation. The Commerce Department currently does not have that authority to require these quarterly call reports, which the model law provides for. CSBS is aware of a very large increase in out of country remissions from certain money transmitters. The recipient country is a known tax haven and money laundering destination. The Department currently does not know if there is any such activity taking place in Minnesota. The model act's requirement of a call report, which many states already require, will provide insight into this issue and whether Minnesota customers could be impacted.

2. Prudential requirements. The Model Act contains a uniform standard for net worth, bonding and permissible investments that is more in line with the way money is sent today. Current Minnesota statute bases much of these standard requirements on the presence of physical locations. Most of the industry is now digital, and so the presence of physical locations does not accurately measure their financial risk to consumers. Adoption of the Model Act will right-size the requirements to provide both a uniform methodology across the country that money transmitters can use and stronger protections for consumers.
3. Virtual currency regulatory clarification. The virtual currency module in the Model Act will provide definitions and regulation over this fast-growing industry, which will offer greater consumer protection and certainty for industry participants.
4. Licensing. The Model Act enhances multi-state licensing efforts to ensure uniformity in how licenses are evaluated.

This proposal includes a new license exemption for agents of the payee, which is the term for companies that handle transactions such bill pay or payment for goods on behalf of others. With this exemption, the Department expects approximately eight (8) agents of the payee to be impacted. At \$2,500 per renewal license, the net impact to the general fund will be lost revenue of approximately \$20,000.

With the new clarification around virtual currency, the Department expects approximately eight (8) new applications for licenses. At \$4,000 for an initial application, the Department expects approximately \$32,000 from new licensees in the first year and \$20,000 (\$2,500 per renewal) in subsequent years.

The total impact of this proposal accounting for the exemption and new licensees is an increase of \$12,000 in FY24 and revenue neutral in future years.

Impact on Children and Families:

This proposal will ensure that strong consumer protections are in place for Minnesotans who use money transmitter or money remittance services to send their family members money or buy goods through these services.

Equity and Inclusion:

This proposal will reduce disparities within the industry where both local and national players will have regulation better calibrated to their true size and impact on the market.

This industry has a strong presence in Minnesota among the East African immigrant community engaged in remitting money internationally to family members. The updated standards will enhance confidence for consumers that the industry is operating in a sound and compliant manner.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Results:

With adoption of the uniform law and full participation in the Multistate Money Transmitter Licensing Agreement, the Department would set a new goal of license approval within 14 days of receiving an application that has gone through the multistate licensing process.

Currently, the Department conducts examinations at an average of approximately 50 hours per examination. The uniformity of the model law will allow the Department to accept the work of other multistate examinations and

allow us to have a more limited scope related to Minnesota-specific requirements which would cut time down to approximately 20 hours per examination on average. This will result in approximately a 50% increase in the number of examinations we are able to conduct per year, while allowing the Department to have a wider presence over the key players in the market and focus our full scope examinations on those entities that pose the highest risk to consumers.

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|-----------------|----------------|---------------|
| Quantity | Number of money transmitter examinations per year, per examiner | 25 | 20 | 2020 and 2021 |
| Time | Turnaround time for money transmitter licensees | 45 | 41 | 2020 and 2021 |

Statutory Change(s):

Minn. Stat. §53B

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Solar for Schools

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 61,500 | 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) | 61,500 | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Request:

The Governor recommends \$61.5M in FY 2024 to expand on the current Solar for Schools statewide pilot program, in order to reach every school building, outside Xcel Energy service territory, with solar energy. Initial interest for the Solar for Schools program (outside of Xcel Energy service territory) has been significant. Establishing additional 40kW systems at schools statewide will allow for more equitable distribution of funding, allowing more time for under-resourced schools to apply after funds are tied up by those schools already prepared to apply as well as those public Minnesota State Colleges & Universities in Greater Minnesota (outside of Xcel Energy territory).

Rationale/Background:

This proposal addresses outstanding needs in the geographic area outside of Xcel Energy service territory. Minnesota Statutes § 216C.375 and 216C.376 established two “Solar on Schools” programs to stimulate the installation of solar energy systems - on or adjacent to public K-12, college, or university school buildings by reducing the cost to install solar and to use the solar energy system as a teaching tool. Minnesota Statutes § 216C.375 applies to School Districts that fall outside of Xcel Energy’s service territory, are limited to 40kW systems, covers over 180 different electric utility territories, utilizes general funds, and requires the funding level be based on a school’s financial need.

While there are multiple reasons from reduced electricity costs for cash-strapped districts, to the reduction of greenhouse gas emissions with the use of solar technology, one that particularly stands out as a benefit for students in rural and remote communities is the exposure to a burgeoning, locally-grown, life-sustaining workforce opportunity:

In fact, according to the MN Business Vitality Council’s (MBVC) recent “Business Growth & Family Sustaining Job Opportunities in a Changing, More Sustainable Economy working group” report (September 2022), “The U.S. Energy and Employment Report (USEER), Energy Employment by State: 2021, found that in 2020...Solar, wind and other energy installation and generation jobs made up about 13,000 jobs” in Minnesota.

The MBVC report also notes that “The White House estimates that 180,000 additional Minnesota households will install rooftop solar panels as a result [of the Inflation Reduction Act (IRA)].”

Finally, the report notes that “It is expected that jobs and manufacturing growth will be witnessed in wind turbines, solar panels, electric vehicle batteries and other electric vehicle part production, and many other areas of clean technology”.

Recognizing the continued growth of solar energy technology use, and resulting jobs, it is imperative that students across Minnesota are exposed to and learn about this technology. The Solar for Schools program requires a curriculum component to ensure student learning while also saving school districts on energy costs.

Connection to Climate Action Framework

This proposal aligns with several priority actions in the clean energy and efficient buildings goal area:

- Weatherizing a quarter of dwellings where occupants earn 50% or less of the state median income by 2030
- Reducing energy use by 10% and total waste heat and waste electricity by 15% compared to 2005 levels by 2030
- Reducing energy burden so that at least 80% of Minnesotans spend less than 5% of their household income on energy costs
- Reduce statewide primary energy usage by 10% compared to 2005 levels by 2030 This proposal aligns with several priority actions in the clean economy goal area:
- Create a clean economy workforce and economic development plan
- Develop worker skills
- Identify and remove barriers to employment and training

Proposal:

With this additional funding, Commerce estimates that up to 723 more schools can be served, ensuring that every school district outside of Xcel territory can obtain solar on – or near – their school buildings

It is estimated that one high-level FTE (18L) would coordinate the program, along with one (10L) mid-level grant manager all four years (\$275,000/year x 4 years = \$1.1M total). Up to two mid-level (3 year, temporary) contract managers would be hired as the program ramped up, as needed (\$245,000/year x 3 years = \$735,000). Total personnel costs for four years to administer \$64M and up to 723 grants = \$1.835M

\$100K is also recommended annually for contracted technical assistance by the University of Minnesota to support under-resourced schools with resources necessary to successfully apply for funding, develop curriculum resources, and install their projects in a timely manner. \$100K for four years = \$400K

Total administrative and programmatic funding recommendation = \$2.235M or 3.5% of the total allocation.

Impact on Children and Families:

Minnesota is home to 355 school districts with over 2,403 schools that serve approximately 850,000 K-12 students and an additional 200,000 early childhood and adult learners. Yet prior to the Minnesota Statutes authorizing Solar for Schools, only 60 school districts were known to have installed solar. With 224 school districts located outside of Xcel Energy territory, and 37 school districts (64 school buildings) completing the full application process in year one, the remaining potential is estimated at 187 school districts and 723 school buildings that could install solar through this program.

A school that demonstrates need for financial assistance, as determined by the commissioner, to install solar energy, is eligible for a grant. These under-resourced schools pay a considerable amount on energy bills and will pay even more this heating season. Solar on schools will help mitigate energy costs, with savings that can be spent on essential education-related needs.

Equity and Inclusion:

Grant funding for the Solar for Schools Program is based on financial need, recognizing that the poorest schools often have the least opportunity to access the benefits of the clean energy economy.

In addition, schools outside of Xcel Energy service territory have had limited opportunity for grant funding, whereas those within Xcel Energy's service territory have historically participated within Xcel's Solar*Rewards program. This program expansion will provide more schools, more opportunity, to not only reduce their overall energy bill, but also provide a visible teaching tool for students.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

The bill language for this proposal also includes a clarification of eligibility for certain tribal schools who were not eligible under the original language of the Solar for Schools Program.

Results:

This proposal will result in up to 723 additional schools (187 school districts outside Xcel Energy Territory) implementing up to 40kW systems on or adjacent to their schools, providing a visible learning tool for students across Minnesota.

IT Related Proposals:

N/A

Statutory Change(s):

Statute 216C.375

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Free Primary Care for Minnesotans

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | 318 | 318 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 318 | 318 | 0 | 0 |
| FTEs | .5 | .5 | 0 | 0 |

Request:

The Governor recommends \$318,000 per year in FY 2024 and FY 2025 to conduct a feasibility study and fund staffing for contract management on a proposal to offer free primary care to Minnesotans.

This study will cost \$500,000 and will provide guidance on how the proposal to offer free primary care could be structured and will include several components:

1. An actuarial analysis evaluating the impact of the proposal on Minnesotans’ benefits; include an analysis of how a future proposal would lower longer-term spending on health care in Minnesota, and determine if access to more primary care avoids other future costs.
2. An evaluation of how the proposal would impact provider billing and reimbursement, and projecting the impact these changes would have on supply issues such as patient wait times
3. An evaluation of how the proposal would interact with existing state and federal laws, including federal health insurance and employment tax laws and existing health insurance programs such as Medicare, Medicaid, Indian Health Services, the Marketplace, and Employer Sponsored Insurance. This would also include an analysis of what federal waivers would be needed to implement.
4. An assessment of how this proposal would impact Minnesota’s existing goals of improving access to health care, as well as an assessment of how it would drive improvement in health equity
5. An estimated cost impact for the state administration of this program

\$136,000 is for staffing for contract management. Insurance division will need .5 FTE per year in FY 2024 and 2025 for this work.

Rationale/Background:

Access to insurance is still a significant problem for a small percentage of Minnesotans. However, high out-of-pocket costs are a growing problem for many people. Minnesota has the highest rate of out-of-pocket spending on health care in the country.

On average, Minnesotans spend \$3,750 a year; this is almost double the national average of \$1,768.¹ Additionally, many Minnesotans are continuing to enroll in high-deductible health plans—either because these plans have less expensive premiums or because that is what employers are offering. While this access to insurance is key to helping to provide some level of protection for people experiencing a higher-cost catastrophic event, it does little to address the high costs associated with everyday healthcare needs, including preventive care and to monitor certain chronic conditions such as diabetes, asthma, heart disease, or depression. This increases people’s risk that

¹ [Rank | Median Medical Out-of-Pocket Spending by Total | State Health Access Data Assistance Center \(shadac.org\)](#)

their health issues worsen as well as exacerbate people’s general perception that their health insurance is meaningless.

Easy and affordable access to primary care has long been known to be key in helping people remain healthier at a lower cost. It’s also key in helping to identify and address any new health problems, providing preventive services such as vaccinations and general check-ups, helping to monitor chronic health problems, and playing a pivotal role in coordinating care across the health care system and with other social supports (food, housing, etc.). Despite the relative importance of primary care, the existing health care system is largely organized around the funding and support of other ancillary services. Covid-19 has only further exasperated these structural issues.

Like the universal and free provision of COVID testing, this proposal would allow Minnesotans the ability to see any primary care provider without paying any of the associated cost-sharing. The state would function as the payer of last resort and reimburse providers for anyone who lacks health insurance or for anyone who has insurance that does not provide this level of coverage.

This proposal could address many frustrations with the existing health care system by:

1. Ensuring all Minnesotans have access to a basic level of care and treatment regardless of insurance or insurance network
2. Decreasing people’s out-of-pocket costs
3. Providing more consistent, predictable funding to primary care providers
4. Focusing on care that supports other public-health goals (e.g., reducing maternal mortality and morbidity)
5. Investing dollars in low-cost, high-value care

Proposal:

This is a new proposal for one-time funds. It does not require any additional operating funds. .5 FTE will be required to manage the project. This will include identifying and working with the appropriate contractors, providing any necessary state-specific data, coordinating input from other state agencies (MDH, DHS, MMB), and soliciting any necessary feedback from impacted stakeholders. We estimate that this study can be completed in FY 2025.

Impact on Children and Families:

This study will examine if there is a particular benefit for children and families.

Equity and Inclusion:

This study will examine if there is a particular impact on reducing health disparities in Minnesota. This study will evaluate if the primary care proposal helps to reduce or eliminate inequities for any Minnesotans, including people of color, Native Americans, people with disabilities, people in the LGBTQ community, other protected classes, and veterans.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Part of the feasibility study will include conversations with Tribal governments, including an examination of the impact a free primary care program would have on both tribal members and Indian Health Services. Formal consultation could potentially follow once the study is completed.

IT Costs

N/A

Results:

The result of this proposal is a determination if there is a viable path to create a universal primary care benefit for all Minnesotans.

Statutory Change(s):

N/A

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Senior Safe - Fraud Prevention Program Staffing

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 249 | 249 | 249 | 249 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 249 | 249 | 249 | 249 |
| FTEs | 2 | 2 | 2 | 2 |

Request:

The Governor recommends \$249,000 in FY 2024 and ongoing to fully staff the Senior Financial Fraud Prevention Program by adding two (2) FTE. The additional staff resources will ensure that it can accomplish the program’s goal of helping those 65 or older or 18 or older and defined as vulnerable avoid becoming fraud or financial exploitation victims by helping them directly or through outreach activities.

Rationale/Background:

Chapter 45A creates a partnership for Commerce with financial services businesses including banks, credit unions, financial advisors, and broker dealers to fight financial fraud and exploitation affecting Minnesotans 65 and over, and persons defined as vulnerable by Minnesota law. Outreach and education are also an integral aspect that is key to combatting financial fraud and exploitation.

Commerce’s program has partnered with American Association of Retired People (AARP), the Better Business Bureau (BBB), various counties’ multi-disciplinary teams (which include state and local agencies, law enforcement, prosecutors, adult protective services investigators), and others to expand our resources and work with others to get the best outcomes and coordinate outreach activities to prevent fraud. Others, such as the Minnesota Attorney General’s Office, are also referring cases of financial exploitation concerning older or vulnerable Minnesotans to Commerce’s program. Because of this, referrals to Commerce’s Senior Safe program have increased every year.

Because the increase of referrals that program is receiving, the workload has expanded to beyond what one person can handle. Financial information and/or records must be obtained and analyzed which is time-consuming as well as the emotional issues many cases bring thus causing complication and delays in their investigation. Coordination with other agencies can also take time such as working with adult protective services investigators who have authority to request an emergency guardianship while Commerce holds transactions or delays disbursements to make sure that the exploitation is paused while a guardian is obtained.

Commerce provides these victims with a “trusted friend” that they can talk to confidentially to break their continuing cycle of victimization of financial fraud.

Proposal:

This proposal will add two (2) FTE to fully staff the Senior Safe fraud prevention program with the objective to ensure that there is sufficient staffing to allow Commerce to engage in additional opportunities to help historically underserved communities and the other above-mentioned communities while concurrently helping

to provide education about and try to prevent ageism. These staff are critical to assist in work that has jumped from 87 case files being opened in 2021 to 253 in 2022, with all indication that this trend continuing upward.

Impact on Children and Families:

The proposal will help protect seniors (those 65 years of age or more and anyone 18 years old or older who is defined by Minnesota law and their families) from potential financial fraud. With the approval of this proposal there will be a positive impact to Minnesotans over 65 or vulnerable adults over 18 as well as their families who may be susceptible to financial exploitation and protected by the provisions of Minn. Stat. Chapter 45A.

Equity and Inclusion:

With the approval of this proposal, Commerce will be able to reach out even further to communities in Greater Minnesota, groups representing people of color and other diverse groups. Additional resources will help Commerce to overcome the obstacles to helping all Minnesotans. Older Minnesotans in certain ethnic and racial groups can be at heightened risk of fraud due to isolation, financial insecurity, language barriers and limited economic knowledge.

Providing customized outreach and translated messages within these ethnic and racial communities can increase awareness of fraud and provide practical knowledge that empowers people to spot fraud before it starts and to report it when it happens. In addition to direct public outreach, this funding would support outreach with community organizations and leaders to share information and provide training about effective fraud prevention methods they can use within these communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

IT Costs

N/A

Results:

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|-----------------|----------------|---------------------------|
| Results | Estimated involved consumer assets prevented from being lost | \$525,689 | \$1.948M | FY21 (half year) vs. FY22 |
| Quantity | Number of case files opened on reports of fraud targeted at vulnerable adults | 87 | 253 | FY21 (half year) vs. FY22 |
| Quantity | Number of fraud prevention presentations held for Minnesotans | 27 | 62 | FY21 (half year) vs. FY22 |
| Quantity | Number of attendees at fraud prevention presentations | 1,130 | 3,740 | FY21 (half year) vs. FY22 |

Statutory Change(s):

This proposal does not require a statutory change.

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Legalizing Adult-Use Cannabis

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|-----------|------------|------------|------------|
| General Fund | | | | |
| Cannabis Management Office Expenditures | \$15,430 | \$14,841 | \$13,980 | \$13,711 |
| DEED Expenditures | \$10,400 | \$6,700 | \$0 | \$0 |
| Health Expenditures | \$8,115 | \$8,115 | \$8,115 | \$8,115 |
| Public Safety Expenditures | \$4,175 | \$2,662 | \$2,662 | \$2,662 |
| Revenue Expenditures | \$3,673 | \$3,118 | \$3,138 | \$3,153 |
| Human Services Expenditures | \$2,260 | \$6,476 | \$6,476 | \$6,476 |
| Cannabis Expungement Board Expenditures | \$921 | \$844 | \$844 | \$844 |
| Pollution Control Expenditures | \$607 | \$496 | \$70 | \$70 |
| Supreme Court Expenditures | \$545 | \$545 | \$0 | \$0 |
| Higher Education Expenditures | \$500 | \$500 | \$500 | \$500 |
| Agriculture Expenditures | \$411 | \$411 | \$338 | \$338 |
| Natural Resources Expenditures | \$338 | \$0 | \$0 | \$0 |
| Education Expenditures | \$180 | \$120 | \$120 | \$120 |
| Labor and Industry Expenditures | \$132 | \$132 | \$132 | \$132 |
| Commerce Expenditures | \$75 | \$283 | \$569 | \$799 |
| Corrections Expenditures | (\$177) | (\$345) | (\$407) | (\$458) |
| Tax Aids, Credits, and Refunds Revenues | \$5,800 | \$31,000 | \$79,300 | \$130,800 |
| Cannabis Management Office Revenues | \$1,996 | \$3,330 | \$4,000 | \$6,000 |
| State Government Special Revenue Fund | | | | |
| Health Expenditures | (\$3,424) | (\$3,424) | (\$3,424) | (\$3,424) |
| Health Revenues | (\$7,411) | (\$10,879) | (\$12,973) | (\$19,223) |
| Trunk Highway Fund | | | | |
| Public Safety Expenditures | \$5,608 | \$1,668 | \$1,668 | \$1,668 |
| Outdoor Heritage Fund | | | | |
| Tax Aids, Credits, and Refunds Revenues | (\$3) | \$96 | \$330 | \$594 |
| Arts and Cultural Heritage Fund | | | | |
| Tax Aids, Credits, and Refunds Revenues | (\$2) | \$57 | \$198 | \$356 |
| Clean Water Fund | | | | |
| Tax Aids, Credits, and Refunds Revenues | (\$3) | \$96 | \$330 | \$594 |
| Parks and Trails Fund | | | | |
| Tax Aids, Credits, and Refunds Revenues | (\$1) | \$41 | \$142 | \$257 |
| Net Fiscal Impact = (Expenditures – Revenues) | \$49,393 | \$19,401 | (\$36,546) | (\$84,672) |
| FTEs | 92 | 98 | 104 | 104 |

Recommendation:

The Governor recommends funding for the safe and responsible legalization of cannabis for adults in Minnesota. A new Cannabis Management Office will be responsible for the implementation of the regulatory framework for adult-use cannabis, along with the medical cannabis program, and a program to regulate hemp and hemp-derived products. This recommendation also includes funding for grants to assist individuals entering the legal cannabis market, provides for expungement of non-violent offenses involving cannabis, and implements taxes on adult-use cannabis.

Rationale/Background:

Prohibiting the use of cannabis in Minnesota has not worked. Despite the current prohibition, marijuana is widely consumed across Minnesota. The most recent Minnesota Survey on Adult Substance Use conducted in 2014-2015 found that nearly half (44%) of Minnesota adults reported using marijuana at some point during their lives. The maturation of the market for hemp-derived cannabinoid products following the 2018 Farm Bill culminating in the 2022 legislation authorizing hemp-derived THC edible cannabinoids have created urgency for comprehensive regulation and reform at the state level.

Regulating cannabis for use by adults will replace the abundant illicit market with a tightly regulated system with controls similar to those currently accepted for the sale of alcohol. This proposal will allow for the monitoring and regulation of its cultivation, processing, transportation and sale, activities currently occurring to the profit of drug cartels and criminals and without consumer protection guardrails.

Importantly, this proposal will begin to address racial inequities our current system has created. Despite survey data suggesting that Black and white Minnesotans use cannabis at similar rates, in 2021 Black Minnesotans were over four times more likely than their white counterparts to be arrested for marijuana according to data from the Bureau of Criminal Apprehension.

Marijuana prohibition additionally leaves potential tax revenue uncollected and furthers an opportunity for economic growth in the underground market. This proposal will bolster amounts available the General Fund for policymakers to prioritize while grant programs administered by DEED and the Office of Cannabis Management will further ensure Minnesotan entrepreneurs have the best opportunity to become the new adult-use market.

Finally, this approach is now well-tested across the country. Nineteen states and the District of Columbia have passed laws to legalize and regulate cannabis for adults. In Colorado, the first state to adopt this approach, legal sales began in January 2014 so there is now nearly a decade of implementation experience in other states to help craft this proposal for Minnesota.

Proposal:

This proposal creates a new agency, the Cannabis Management Office, which would be responsible for the implementation of a new regulatory framework for adult-use cannabis. The Office of Medical Cannabis will also move from the Department of Health to join this new agency. The office will be headed by a director appointed by the Governor and receive advice from a Cannabis Advisory Council with representatives from experts, local governments, the cannabis industry and relevant state agencies. The core duties of the office will include:

- to develop, maintain, and enforce an organized system of regulation for the lawful cannabis industry
- to establish programming, services, and notification to protect, maintain, and improve the health of citizens.
- to prevent unauthorized access to cannabis by individuals under 21 years of age.
- to establish and regularly update standards for product testing, packaging, and labeling.
- to promote economic growth with an emphasis on growth in areas that experienced a disproportionate, negative impact from cannabis prohibition.
- to issue and renew licenses.
- to impose and collect civil and administrative penalties.
- to authorize research and studies on cannabis, cannabis products, and the cannabis industry.

Adult-use cannabis will be subject to a new 15% gross receipts tax and state sales tax with retail sales beginning January 1, 2025. A new 15% gross receipts tax would also be imposed on the retail sale of edible cannabinoid products with retail sales beginning October 1, 2023.

The proposal authorizes three grant programs to support the establishment of cannabis businesses in Minnesota. Cannabis grower grants administered by the Office of Cannabis Management will provide farmers with assistance navigating the new industry and regulations along with subsidized loans for expanding into legal cannabis. Administered by the Department of Employment and Economic Development industry navigation grants and industry training grants will assist individuals in setting up a legal cannabis business through technical assistance and navigation services while providing grants to organizations and individuals for training on cannabis jobs.

The proposal provides for automatic sealing of dismissals, exonerations, convictions, or stayed sentences of petty misdemeanor and misdemeanor marijuana offenses by the Bureau of Criminal Apprehension, which will provide notice of the expungement to local law enforcement agencies as well as the Judicial Branch for compliance purposes. It also provides for the establishment of a Cannabis Expungement Board to review other cannabis convictions to consider eligibility for expungement or resentencing.

The proposal authorizes the Governor to enter into compacts with Minnesota Tribal governments on issues related to medical cannabis and adult-use cannabis.

The proposal finally provides significant resources to address substance use disorders. The proposal includes initial funding for grants directed by the advice of a Substance Use Disorder Advisory Council convened by the Department of Human Services. Five percent of the revenue from the cannabis gross receipts tax would flow into this fund to support these grants into the future.

Appropriations necessary for its implementation include:

- \$30,271,000 in FY2024/2025 and \$27,691,000 in FY2026/2027 to establish and begin operations of a new Cannabis Management Office responsible for the implementation of the new regulatory framework.
- \$822,000 in FY2024/2025 and \$ 676,000 in FY2026/2027 to the Department of Agriculture for food safety and pesticide enforcement lab testing and rulemaking related to changes in cannabis laws.
- \$1,765,000 in FY2024/2025 and \$1,688,000 in FY2026/2027 for a newly created Cannabis Expungement Board for staffing and other expenses related to reviewing criminal convictions and issuing decisions related to expungement and resentencing.
- \$358,000 in FY2024/2025 and \$1,368,000 in FY2026/2027 for the Department of Commerce for staffing and other expenses to complete scale, and packaging inspections.
- A reduction of \$522,000 in FY2024/2025 and \$865,000 in FY2026/2027 to the Department of Corrections' base budget to account for an expected reduction in marijuana-related incarcerations.
- \$300,000 in FY2024/2025 and \$240,000 in FY2026/2027 for the Department of Education to support schools and districts in accessing resources on cannabis use and substance use.
- \$17,100,000 in FY2024/2025 for the Department of Employment and Economic Development for cannabis industry navigator and startup grants.
- \$16,230,000 in FY2024/2025 and \$16,230,000 in FY2026/2027 for the Department of Health for education of women who are pregnant, breastfeeding, or who may become pregnant; data collection and reports; and youth education.
- \$8,736,000 in FY2024/2025 and \$12,952,000 in FY2026/2027 for the Department of Human Services to implement the substance use disorder treatment and prevention grant program and process background studies relevant to the work of the Cannabis Expungement Board.
- \$264,000 in FY2024/2025 and \$264,000 in FY2026/2027 for the Department of Labor and Industry to identify occupational competency standards and provide technical assistance for developing dual-training programs.
- \$338,000 in FY2024/2025 for the Department of Natural Resources for training of DNR Conservation Officers relating to the new cannabis regulatory system and requirements, recognition of impairment, and for the enforcement of the purposed environmental standards adopted by the Cannabis Management Office.

- \$1,000,000 in FY2024/2025 and \$1,000,000 in FY2026/2027 for the Office of Higher Education for Dual Training Competency Grants to employers in the legal cannabis industry.
- \$1,103,000 in FY2024/2025 and \$140,000 in FY2026/2027 for the Pollution Control Agency for rulemaking to establish of water, energy, odor, and solid waste environmental standards for cannabis businesses and provide technical assistance for small businesses.
- \$6,837,000 in FY2024/2025 and \$5,324,000 in FY2026/2027 for the Department of Public Safety Bureau of Criminal Apprehension for identifying and sealing records, forensic science services, and investigations.
- \$7,276,000 in FY2024/2025 and \$3,336,000 in FY2026/2027 for the Department of Public Safety Minnesota State Patrol from the Trunk Highway Fund for additional Drug Recognition Expert (DRE) troopers, crash reconstruction specialist troopers, and replacement drug detection canines.
- \$6,791,000 in FY2024/2025 and \$6,291,000 in FY2026/2027 for the Department of Revenue to collect and administer the tax requirements.

Impact on Children and Families:

The current widespread underground market for marijuana provides no controls against the sale and access to children. This proposal provides age restrictions to prevent the sale of cannabis to those under 21. Additionally, the biannual Healthy Kids Colorado Survey found no increase in the use of marijuana from 2011 to 2015 in the period where legal sales initiated in the state, a finding that has been consistent in Washington, Oregon, Alaska, California, Massachusetts, Maine, and Nevada. The proposal additionally provides funding for MDH to conduct a long-term, coordinated education program to raise public awareness about and address adverse health effects associated with the use of cannabis or cannabis products by persons under age 21.

Equity and Inclusion:

This proposal seeks to begin to address the inequities the current system of marijuana prohibition has created, beginning with the expungement of nonviolent marijuana offenses. A Division of Social Equity at the Office of Cannabis Management will work to further promote the consideration of equity and inclusion in the development and implementation of cannabis regulatory systems. The proposal additionally requires the prioritization of social equity applicants in cannabis license selection along with the cannabis grower and industry training and navigation grant programs.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Minnesota tribal governments, in particular the Red Lake Nation and the White Earth Nation, have raised significant concerns about the current interactions between their medical cannabis programs and current restrictions in statute. This proposal will provide broad authority for the Governor or designated representatives to negotiate compacts with an American Indian tribe regulating cannabis and cannabis products including medical cannabis.

Results:

The proposal requires Department of Health to engage in research and data collection activities to measure the prevalence of cannabis use and the use of cannabis products in the state by persons under age 21 and persons age 21 or older.

Statutory Change(s):

13.411, by adding a subdivision; 13.871, by adding a subdivision; 152.02, subdivisions 2, 4; 152.022, subdivisions 1, 2; 152.023, subdivisions 1, 2; 152.024, subdivision 1; 152.025, subdivisions 1, 2; 181.938, subdivision 2; 181.950,

subdivisions 2, 4, 5, 8, 13, by adding a subdivision; 181.951, by adding subdivisions; 181.952, by adding a subdivision; 181.953; 181.954; 181.955; 181.957, subdivision 1; 244.05, subdivision 2; 256.01, subdivision 18c; 256D.024, subdivision 1; 256J.26, subdivision 1; 273.13, subdivision 24; 275.025, subdivision 2; 290.0132, subdivision 29; 290.0134, subdivision 19; 297A.67, subdivisions 2, 7; 297A.99, by adding a subdivision; 297D.01, subdivision 2; 297D.04; 297D.06; 297D.07; 297D.08; 297D.085; 297D.09, subdivision 1a; 297D.10; 297D.11; 609.135, subdivision 1; 609.531, subdivision 1; 609.5311, subdivision 1; 609.5314, subdivision 1; 609.5316, subdivision 2; 609.5317, subdivision 1; 609A.01; 609A.03, subdivisions 5, 9; 624.712, by adding subdivisions; 624.713, subdivision 1; 624.714, subdivision 6; 624.7142, subdivision 1; 624.7151; proposing coding for new law in Minnesota Statutes, chapters 3; 17; 28A; 34A; 116J; 116L; 120B; 144; 152; 289A; 295; 604; 609A; 624; proposing coding for new law as Minnesota Statutes, chapter 342; repealing Minnesota Statutes 2020, sections 152.027, subdivisions 3, 4; 152.21; 152.22, subdivisions 1, 2, 3, 4, 5, 5a, 5b, 6, 7, 8, 9, 10, 11, 12, 13, 14; 152.23; 152.24; 152.25, subdivisions 1, 1a, 1b, 1c, 2, 3, 4; 152.26; 152.261; 152.27, subdivisions 1, 2, 3, 4, 5, 6, 7; 152.28, subdivisions 1, 2, 3; 152.29, subdivisions 1, 2, 3, 3a, 4; 152.30; 152.31; 152.32, subdivisions 1, 2, 3; 152.33, 1.38 subdivisions 1, 1a, 2, 3, 4, 5, 6; 152.34; 152.35; 152.36, subdivisions 1, 1a, 2, 3, 4, 5; 152.37; 297D.01, subdivision 1; Minnesota Rules, parts 4770.0100; 4770.0200; 4770.0300; 4770.0400; 4770.0500; 4770.0600; 4770.0800; 4770.0900; 4770.1000; 4770.1100; 4770.1200; 4770.1300; 4770.1400; 4770.1460; 4770.1500; 4770.1600; 4770.1700; 4770.1800; 4770.1900; 4770.2000; 4770.2100; 4770.2200; 4770.2300; 4770.2400; 4770.2700; 4770.2800; 4770.4000; 4770.4002; 4770.4003; 4770.4004; 4770.4005; 4770.4007; 4770.4008; 4770.4009; 4770.4010; 4770.4012; 4770.4013; 4770.4014; 4770.4015; 4770.4016; 4770.4017; 4770.4018; 4770.4030.

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Paid Family and Medical Leave Insurance

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|----------------|---------------|---------------|-----------------|
| General Fund | | | | |
| Expenditures | | | | |
| <i>MMB Non-Operating</i> | 0 | 0 | 75 | 5,824 |
| Transfer Out | 668,321 | 0 | 0 | 0 |
| GF Net Fiscal Impact = | 668,321 | 0 | 75 | 5,824 |
| Paid Family Medical Leave Fund | | | | |
| Expenditures | | | | |
| <i>DEED</i> | 41,659 | 36,492 | 64,657 | 92,640 |
| <i>MMB</i> | 0 | 0 | 43 | 44 |
| <i>Commerce</i> | 367 | 316 | 128 | 128 |
| <i>DLI</i> | 601 | 480 | 646 | 646 |
| <i>DHS</i> | 0 | 0 | 3,635 | 0 |
| <i>Supreme Court</i> | 0 | 0 | 20 | 0 |
| <i>Legislature</i> | 0 | 0 | 11 | 0 |
| <i>Court of Appeals</i> | 0 | 0 | 0 | 5,600 |
| <i>Benefits</i> | 0 | 0 | 0 | 1,038,531 |
| Transfer In | 668,321 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 1,219,808 |
| All Funds Net Fiscal Impact = (Expenditures – Revenues) | 42,627 | 37,288 | 69,140 | (76,395) |
| FTEs | 39.5 | 65.5 | 241.75 | 410.5 |

Recommendation:

The Governor recommends \$668.321 million from the general fund in FY 2024-25 and \$5.899 million in FY 2026-27. The Governor also recommends applying a 0.6% premium rate to employee wages beginning on July 1, 2026, to establish a Paid Family and Medical Leave Insurance program and that employee contributions comprise one-half of the premium rate.

The transfer of \$668.321 million from the general fund provides funds necessary to cash flow the program to enable benefit payments to commence simultaneously with tax collections. It will also support the development of an IT system for collecting premiums and paying benefits, initial staffing and administrative resources required to implement and operate this program at the Department of Employment and Economic Development and other state agencies and branches of government.

Rationale/Background:

Most Minnesotans will need Paid Family and Medical Leave at some point in their lives – whether due to illness, a new child, or family caretaking. But today, approximately 26 percent of all family and medical leaves do not include any wage replacement. According to the “Paid Family & Medical Leave Insurance: Options for Designing and Implementing a Minnesota Program” released in February 2016, around 10% of Minnesota workers take a family or medical leave in any given year. Fifty-nine percent (59%) of current leaves in Minnesota are for own-health reasons (other than pregnancy), 17 percent are for bonding/parental leave (including pregnancy disability), and 24 percent of leaves are for caretaking a seriously ill family member.

Low-wage employees, certain minority groups, younger workers, and less educated populations are much more likely to lack access to paid leave. For many low-income Minnesotans, taking leave with little or no pay can create significant economic instability for their families, often during some of the most challenging times. Additionally, Minnesota workers are generally less likely to receive compensation during leave for their own serious health condition or family care than for pregnancy or parental (bonding/maternity/paternity) leave.

Without a comprehensive state paid family and medical leave program, Minnesotans are missing out on the economic stability and economy-boosting effects of keeping people employed while welcoming a new family member, caring for a sick loved one, or recovering from an illness or injury. Paid Family and Medical Leave is a critical tool towards enhancing Minnesota's economic competitiveness and building a more stable and resilient workforce.

Proposal:

The Governor recommends creating a new Minnesota Family and Medical Leave Program administered by DEED. This program will provide wage replacement for family and medical leaves and will provide job protections for recipients, so they are assured of continued employment with their employer upon their return. Premiums collected will fund program benefits and ongoing administrative costs.

Appropriations from the general fund will allocate:

- \$519.266 million from the general fund in FY 2024-25 will fund a reserve balance in the Paid Family and Medical Leave (PFML) Fund. This will provide adequate cash flow to permit initiation of benefits simultaneously with the start of premium collections on July 1, 2026.
- An additional transfer of \$149.055 million from the general fund in FY 2024-25 will fund start up costs for administration of the program to be appropriated from the PFML Fund.
- \$5.855 million in FY 2026-27 will be provided to Minnesota Management and Budget Non-Operating to offset employer-paid premium costs in the general fund for state executive and judicial branch agencies and offset the costs to agencies for obtaining notice acknowledgments from employees.

Proposed appropriations from the new PFML Fund include:

- \$78.151 million in FY 2024-25 and \$157.297 million in FY 2026-27 for the Department of Employment and Economic Development will support the creation of business process design, a premium collection system, benefits payment system, user interface development, and program administration.
- \$87 thousand in FY 2026-27 for Minnesota Management and Budget will fund state executive branch employee workplace notice costs as well as upgrades to the state's payroll system necessary for the collection of premiums.
- \$683 thousand in FY 2024-25 and \$256 thousand in FY 2026-27 for the Department of Commerce will fund development of private plan rules and approvals.
- \$1.081 million in FY 2024-25 and \$1.292 million in FY 2026-27 for the Department of Labor and Industry will fund oversight and compliance costs related to the program as well as IT systems upgrades.
- \$20 thousand in FY 2022-23 for the Supreme Court will fund a onetime update to the existing case management system that would calculate interest on judgments against employers.
- Starting in FY 2027, \$5.6 million per year would fund costs related to appeals filed with the Court of Appeals for denied benefit claims.
- \$11 thousand in FY 2026-27 for the Legislature-LCC will support onetime payroll system updates.
- \$20 thousand in FY 2026-27 for the Supreme Court will support onetime system updates.
- \$3.635 million in FY 2026 for the Department of Human Services to make systems modifications necessary for the implementation of the program.

Impact on Children and Families:

Similar programs in other states have shown improvements in economic stability for families and positive impacts for children. Societal benefits include retaining more women in the labor force, reductions in the need and associated costs for nursing home and other institutional care, reductions in the need for public assistance when a new baby arrives, and less infant care shortages.

Equity and Inclusion:

According to the 2016 report, while almost three-quarters of Minnesota workers received at least some pay when they were out of work for family or medical reasons, low-wage (46%); black (42%); or Hispanic (39%); younger (39%); part-time (38%) or less educated (38%) workers are much more likely to manage leaves without any pay. This proposal is intended to help address that inequality and the economic impacts that that inequality has on these workers.

IT Related Proposals:

This recommendation includes funding for IT costs to create a system for collecting premiums from employers and paying program benefits to recipients. The development of the Paid Family and Medical Leave system will be a multi-year project. The total cost to build the system between FY 2024 and FY 2028 is anticipated to be approximately \$80.4 million, plus approximately \$6.0 million in staff costs.

Results:

Department of Employment and Economic Development will track the following:

- Amount of leave taken
- Amount of benefit payments made to recipients
- Employer opt-outs
- Employee opt-ins
- Program tax collections and balance
- Customer satisfaction

Department of Commerce

FY 2024-25 Biennial Budget Change Item

Change Item Title: Transfer From The Premium Security Account

| Fiscal Impact (\$000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 204,630 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 204,630 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends transferring \$204.6 million from the Premium Security Plan Account to the general fund at the end of fiscal year 2026.

Rationale/Background:

The Minnesota Premium Security Plan (MPSP) was created by the 2017 legislature and extended in 2022 to provide reinsurance payments to health insurers, to help cover the cost of high claims in the individual market. The program was created to stabilize the state’s individual health insurance market and reduces health insurance premiums from what they otherwise would be absent the program’s existence. The Minnesota Comprehensive Health Association (MCHA) administers the program, and the Department of Commerce serves as the fiscal agent for state appropriations directed to the program. From fiscal year 2018 through 2025 on net, \$425 million will be transferred from the general fund to the Premium Security Account, and \$395 million has been transferred from the health care access fund to the Premium Security Account.

Proposal:

This proposal transfers \$204.6 million from the Premium Security Account to the general fund at end of fiscal year 2026. This proposal provides the account with funding sufficient to operate the program through plan year 2025 which is paid in fiscal year 2026. Forecast change driven by higher federal pass through funds reduced the amount of state resources needed to operate the program over the forecast horizon.

Statutory Change(s):

None.

Program: Financial Institutions Division<https://mn.gov/commerce/industries/financial-institutions/>**AT A GLANCE**

- Regulates state-chartered banks, state-chartered credit unions, non-depository institutions and Minnesota-registered securities professionals.
- **207**: State-chartered banks in Minnesota.
- **149**: Number of Minnesota's state-chartered banks located in Greater Minnesota.
- **67**: State-chartered credit unions in Minnesota.
- **18,783**: Licensed non-depository entities and individuals in Minnesota.
- **1,993**: State-registered Investment Adviser and Broker Dealer firms in Minnesota.

PURPOSE AND CONTEXT

Commerce's Financial Institutions Division is responsible for licensing and regulating businesses that provide financial products and services to Minnesotans. These include banks, trust companies, credit unions, certificate investment companies, thrift companies mortgage companies, money transmitters, student loan servicers, state registered securities industry, and consumer credit companies such as motor vehicle finance, payday lenders, and debt management and settlement companies.

The Securities Unit registers securities agents, broker-dealers, franchises, timeshares, investment advisers and investment adviser representatives to do business in Minnesota. The Unit also performs examinations of businesses offering securities in Minnesota.

Financial Institutions serves all Minnesota consumers and businesses that rely on these regulated businesses for financial products and services.

Financial Institutions conducts periodic examinations, as well as ongoing monitoring, to ensure that financial institutions are safe, sound, and comply with applicable state and federal laws. The Division's examinations focus on various financial factors, including loan portfolios and overall asset quality. While examinations have traditionally been on-site, the Division is adapting and utilizing technology to make examinations more efficient.

The majority of Financial Institutions is self-funded through assessments, hourly examination fees charged to the industries it examines, and certain licensing fees. These charges are deposited into the Financial Institutions Special Revenue Account. The Securities Unit is funded through a General Fund appropriation.

SERVICES PROVIDED

- Chartering and conducting examinations at all state-chartered banks, trust companies, credit unions and the nation's only certificate investment company on a 12- to 24-month cycle.
- Licensing Minnesota's non-depository financial services, including the mortgage industry, consumer credit companies, currency exchanges, payday lenders, money transmitters and debt service providers through participation in the Nationwide Multistate Licensing System & Registry (NMLS).
- Registering state securities, including investment advisers, broker-dealers, franchises, and offering and conducting examinations of investment advisers.
- Conducting mortgage company and money transmitter examinations.
- Minimizing the impact on Minnesotans in the event of a financial institution failure through timely and adequate intervention procedures.

- Collaborating with the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Bank, and the National Credit Union Administration (NCUA), the Securities Exchange Commission (SEC), and Financial Industry Regulatory Authority (FINRA) to conduct joint examinations of state-chartered banks and credit unions and share findings.
- Participating in joint multi-state examinations of interstate investment advisers, mortgage and money transmission companies.
- Maintaining accreditation with the Conference of State Bank Supervisors, both for banking and mortgage, and the National Association of State Credit Union Supervisors.
- Engaging in outreach activities to promote financial literacy among all Minnesotans and collaborating with state-chartered financial institutions and the securities industry to protect seniors and vulnerable adults from fraud.

RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|-----------------|----------------|---------------------|
| Results | Complete financial examinations for state-chartered banks and credit unions within the 12-24 month time frame | 100% | 100% | CY 2020 and CY 2022 |
| Quality | Act on company licensing applications and corporate amendment applications on a timely basis | 60 days | 60 days | CY 2020 and CY 2022 |
| Quantity | Number of banks on the troubled bank monitoring list ⁽¹⁾ | 6 | 4 | CY 2020 and CY 2022 |
| Results | Increase number of licensed programs types utilizing NMLS ⁽²⁾ | 18 | 19 | CY 2020 and CY 2022 |
| Quantity | Investment Adviser Representative Registrations | 12,426 | 12,703 | CY 2019 and CY 2022 |
| Quantity | Broker Dealer Agent Registrations | 161,744 | 181,079 | CY 2019 and CY 2022 |

Performance Measures Notes:

1. As of 6/30/2022, there are four banks on the problem bank-monitoring list. This is down from a high of 111 in 2010.
2. This performance measure tracks the Division's progress towards achievement of a long-term goal to move all non-depository institutions to the same electronic licensing platform, the Nationwide Multistate Licensing System & Registry

Statutory Authority: The Division's authority is located in Chapters: 45A, 46, 47, 48, 48A, 49, 50, 51A, 52, 53, 53A, 53B, 53C, 54, 55, 56, 58, 59A, 216C, 332, 332A, 332B, 334, 80, 80A, 80C.

Financial Institutions Division

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|--|----------------|----------------|----------------|------------------|---------------|------|------------------------------|------|
| | | | | | FY24 | FY25 | FY24 | FY25 |

Expenditures by Fund

| | | | | | | | | |
|--------------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|---------------|
| 1000 - General | 400 | 400 | 1,583 | 2,581 | 2,241 | 2,241 | 2,372 | 2,492 |
| 2000 - Restrict Misc Special Revenue | 6,240 | 6,483 | 6,843 | 7,500 | 7,705 | 7,705 | 7,717 | 7,705 |
| Total | 6,640 | 6,883 | 8,426 | 10,081 | 9,946 | 9,946 | 10,089 | 10,197 |
| Biennial Change | | | | 4,984 | | 1,385 | | 1,779 |
| Biennial % Change | | | | 37 | | 7 | | 10 |
| Governor's Change from Base | | | | | | | | 394 |
| Governor's % Change from Base | | | | | | | | 2 |

Expenditures by Activity

| | | | | | | | | |
|------------------------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|---------------|
| Financial Institutions | 6,640 | 6,883 | 8,426 | 10,081 | 9,946 | 9,946 | 10,089 | 10,197 |
| Total | 6,640 | 6,883 | 8,426 | 10,081 | 9,946 | 9,946 | 10,089 | 10,197 |

Expenditures by Category

| | | | | | | | | |
|-----------------------------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|---------------|
| Compensation | 4,692 | 5,128 | 6,447 | 7,743 | 7,817 | 7,817 | 7,948 | 8,068 |
| Operating Expenses | 1,544 | 1,355 | 1,579 | 1,931 | 1,722 | 1,722 | 1,734 | 1,722 |
| Grants, Aids and Subsidies | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| Other Financial Transaction | 4 | 0 | 0 | 7 | 7 | 7 | 7 | 7 |
| Total | 6,640 | 6,883 | 8,426 | 10,081 | 9,946 | 9,946 | 10,089 | 10,197 |

| | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Agency Expenditures | 6,640 | 6,883 | 8,426 | 10,081 | 9,946 | 9,946 | 10,089 | 10,197 |
| Internal Billing Expenditures | 500 | 500 | 321 | 363 | 363 | 363 | 363 | 363 |
| Expenditures Less Internal Billing | 6,140 | 6,383 | 8,105 | 9,718 | 9,583 | 9,583 | 9,726 | 9,834 |

Full-Time Equivalent

| | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| | 44.92 | 48.65 | 58.30 | 60.50 | 60.50 | 60.50 | 60.50 | 60.50 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|

Financial Institutions Division

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | | | 340 | | | | |
| Direct Appropriation | 400 | 400 | 1,923 | 2,241 | 2,241 | 2,241 | 2,372 | 2,492 |
| Balance Forward Out | | | 340 | | | | | |
| Expenditures | 400 | 400 | 1,583 | 2,581 | 2,241 | 2,241 | 2,372 | 2,492 |
| Biennial Change in Expenditures | | | | 3,364 | | 318 | | 700 |
| Biennial % Change in Expenditures | | | | 421 | | 8 | | 17 |
| Governor's Change from Base | | | | | | | | 382 |
| Governor's % Change from Base | | | | | | | | 9 |
| Full-Time Equivalents | 0.09 | | 9.17 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Balance Forward In | 1,329 | 1,471 | 2,791 | 2,835 | 3,123 | 3,206 | 3,123 | 3,206 |
| Receipts | 6,385 | 7,830 | 6,922 | 7,827 | 7,827 | 7,827 | 7,839 | 7,827 |
| Transfers Out | 22 | 28 | 35 | 39 | 39 | 39 | 39 | 39 |
| Balance Forward Out | 1,452 | 2,791 | 2,835 | 3,123 | 3,206 | 3,289 | 3,206 | 3,289 |
| Expenditures | 6,240 | 6,483 | 6,843 | 7,500 | 7,705 | 7,705 | 7,717 | 7,705 |
| Biennial Change in Expenditures | | | | 1,620 | | 1,067 | | 1,079 |
| Biennial % Change in Expenditures | | | | 13 | | 7 | | 8 |
| Governor's Change from Base | | | | | | | | 12 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 44.83 | 48.65 | 49.13 | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 |

Program: Petroleum Tank Release Cleanup Fund (Petrofund)

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

AT A GLANCE

- **\$460 Million:** Approximate amount of reimbursement paid out to eligible applicants since 1987.
- **13,300:** Approximate number of leak sites that have received funding for corrective actions since 1987.
- **611:** Underground petroleum storage tanks removed from 401 properties since 2004.

PURPOSE AND CONTEXT

The Department's Petroleum Tank Release Cleanup Fund (Petrofund) was established in 1987. The Petrofund contributes to a cleaner environment and helps to prevent the pollution of Minnesota's soil and water by providing eligible applicants with reimbursement for a portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks.

SERVICES PROVIDED

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

The Petrofund is primarily funded by the Petroleum Tank Release Cleanup Fee. The fee is charged on wholesale petroleum products and is paid at a rate of \$20 per 1,000 gallons (\$.02 per gallon) by the first licensed distributor receiving the product in the state. The fee is imposed for a four-month time period whenever the Program's fund balance drops below \$4 Million and authorization has been given by the five-member Petroleum Tank Release Compensation Board. Investment earnings on the Petrofund's cash balance generate additional revenue.

RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|--|---|---------------------|
| Quality | Review of reimbursement applications within 60- and 120-day statutory deadlines in order to assure timely payment of investigation and cleanup costs incurred by applicants. | Initial applications reviewed within 100 days and supplemental applications reviewed within 133 days | Initial applications reviewed within 50 days and supplemental applications reviewed within 116 days | FY 2021 and FY 2022 |
| Quantity | Removal of abandoned underground petroleum storage tanks in order to identify and prevent old tanks from leaking and contaminating soil and groundwater. | 26 tanks removed at 21 sites | 44 tanks removed at 24 sites | FY 2021 and FY 2022 |
| Quantity | Protect human health and the environment by reimbursing eligible applicants for a portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks across the state. | \$3.2 million reimbursed to 238 applicants | \$2.4 million reimbursed to 214 applicants | FY 2021 and FY 2022 |

Performance Measure Notes:

1. When a Petrofund applicant incurs costs, they can either submit all costs in one application or request reimbursement in multiple applications. Initial applications must be reviewed within 60 days. All subsequent applications must be reviewed within 120 days.
2. The application review data compares the application queue as of July 2021 (previous) and July 2022 (current). The application queue is mainly driven by the number of reimbursement applications received and staffing levels.
3. The abandoned tank removal data compares the number of tanks removed in Fiscal Year 2021 (previous) to the number removed in Fiscal Year 2022 (current). The number of tanks removed is contingent on the number of applications received and the staff resources available to manage the tank removal projects.

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

Petroleum Tank Release Cleanup Fund

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|---------------------------------------|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 2350 - Petroleum Tank Release Cleanup | 5,054 | 4,005 | 3,315 | 11,263 | 10,841 | 8,841 | 10,861 | 8,882 |
| Total | 5,054 | 4,005 | 3,315 | 11,263 | 10,841 | 8,841 | 10,861 | 8,882 |
| Biennial Change | | | | 5,519 | | 5,104 | | 5,165 |
| Biennial % Change | | | | 61 | | 35 | | 35 |
| Governor's Change from Base | | | | | | | | 61 |
| Governor's % Change from Base | | | | | | | | 0 |

Expenditures by Activity

| | | | | | | | | |
|-------------------------------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|--------------|
| Petroleum Tank Release Cleanup Fund | 5,054 | 4,005 | 3,315 | 11,263 | 10,841 | 8,841 | 10,861 | 8,882 |
| Total | 5,054 | 4,005 | 3,315 | 11,263 | 10,841 | 8,841 | 10,861 | 8,882 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|--------------|
| Compensation | 552 | 449 | 493 | 615 | 615 | 615 | 635 | 656 |
| Operating Expenses | 4,502 | 3,541 | 2,821 | 10,643 | 10,221 | 8,221 | 10,221 | 8,221 |
| Capital Outlay-Real Property | | 15 | | | | | | |
| Other Financial Transaction | | 0 | | 5 | 5 | 5 | 5 | 5 |
| Total | 5,054 | 4,005 | 3,315 | 11,263 | 10,841 | 8,841 | 10,861 | 8,882 |

| | | | | | | | | |
|---|--------------|--------------|--------------|---------------|---------------|--------------|---------------|--------------|
| Total Agency Expenditures | 5,054 | 4,005 | 3,315 | 11,263 | 10,841 | 8,841 | 10,861 | 8,882 |
| Internal Billing Expenditures | 111 | 67 | 44 | 95 | 95 | 95 | 95 | 95 |
| Expenditures Less Internal Billing | 4,943 | 3,938 | 3,271 | 11,168 | 10,746 | 8,746 | 10,766 | 8,787 |

| | | | | | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Full-Time Equivalent</u> | 4.82 | 4.27 | 4.52 | 4.52 | 4.52 | 4.52 | 4.52 | 4.52 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|

Petroleum Tank Release Cleanup Fund

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base FY24 FY25 | | Governor's Recommendation FY24 FY25 | |
|--|----------------|----------------|----------------|------------------|----------------------------|--------------|---|--------------|
| 2350 - Petroleum Tank Release Cleanup | | | | | | | | |
| Balance Forward In | | 100 | | 422 | | | | |
| Direct Appropriation | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,076 | 1,097 |
| Open Appropriation | 7,405 | 9,018 | 7,511 | 17,134 | 16,160 | 14,160 | 16,160 | 14,160 |
| Transfers In | 737 | 356 | 276 | 396 | | | | |
| Transfers Out | 4,046 | 5,962 | 5,106 | 7,745 | 6,375 | 6,375 | 6,375 | 6,375 |
| Cancellations | | 563 | | | | | | |
| Balance Forward Out | 98 | | 422 | | | | | |
| Expenditures | 5,054 | 4,005 | 3,315 | 11,263 | 10,841 | 8,841 | 10,861 | 8,882 |
| Biennial Change in Expenditures | | | | 5,519 | | 5,104 | | 5,165 |
| Biennial % Change in Expenditures | | | | 61 | | 35 | | 35 |
| Governor's Change from Base | | | | | | | | 61 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalent | 4.82 | 4.27 | 4.52 | 4.52 | 4.52 | 4.52 | 4.52 | 4.52 |

Program: Regulatory and Administrative Services Division

<https://www.mn.gov/commerce/>

AT A GLANCE

- **272,882:** Number of active licenses issued by the Division to individual Minnesotans and businesses.
- **28,830:** Total Unclaimed Property claims paid in FY 2021-22.
- **\$377.8 million:** Total dollar value of property returned to Unclaimed Property claimants since FY 2013.
- **\$1.95 million:** Amount belonging to Minnesota seniors recovered, or prevented from loss, by senior fraud prevention office in FY 2022.
- **253:** Case files opened by the senior fraud prevention office in FY 2022.
- **62:** Senior fraud prevention outreach and training presentations held during FY 2022.
- **3,740:** Attendees at senior fraud prevention outreach and training presentations held during FY 2022.
- **99.9:** Percentage of invoices processed by Financial Services within 30 days.

PURPOSE AND CONTEXT

Commerce's Regulatory and Administrative Services Division includes two units: The Regulatory Services unit oversees the licensing and unclaimed property programs in the Department. Administrative Services unit includes core agency functions like Financial Services, Human Resources and Legal Services, and external affairs functions including Communications, Government Affairs, Senior Fraud Prevention and Tribal Relations.

Administrative Services operates the agency's "front door" for consumers, licensees, and businesses. Administrative Services staff publicly represent the agency in a wide variety of settings and are responsible for a wide swath of Commerce's direct engagement with Minnesotans. This work directly advances Commerce's strategic mission and vision to engage Minnesotans directly on the agency's work and to assist and protect all Minnesota consumers.

The Regulatory and Administrative Services Division is funded through a General Fund appropriation.

SERVICES PROVIDED

Regulatory Services

- Licensing
 - Administers application and renewal programs for 30 individual and business license types for real estate, insurance, real estate appraisers, collection agencies and debt collectors and bullion coin operators.
 - Provides licensing oversight for over 272,000 individuals and companies that do business in Minnesota.
 - Approves applications for pre-license and continuing education courses, maintains experience requirement standards and assists regulated entities in their ongoing efforts to better serve their clients.
 - Answers consumer inquiries regarding commerce-administered professional licenses including 20,931 calls during FY 2022.
- Unclaimed Property
 - Serves as a "lost and found" for financial assets belonging to current and former residents of Minnesota.

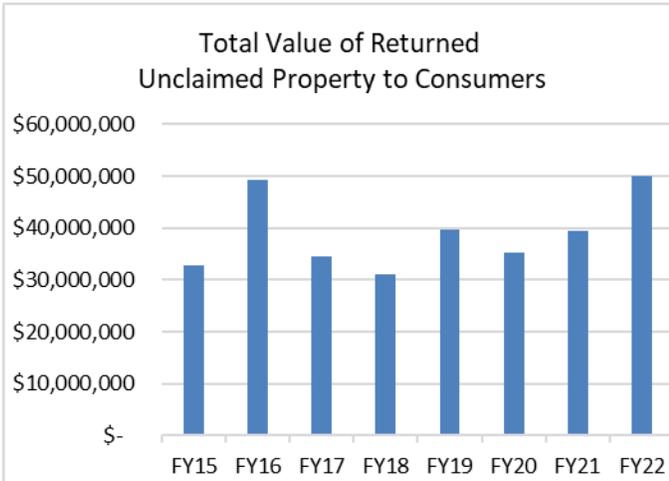
- Safeguards, maintains, and seeks to return to owners, the approximately \$900 million in abandoned property held by the state.
- Takes in unclaimed property from companies (or “holders”) with a statutory obligation to report property to the State once the property owner has not been located after a specific period of time.
- Answers consumer inquiries regarding unclaimed property claims including 10,343 calls during FY 2022.

Administrative Services

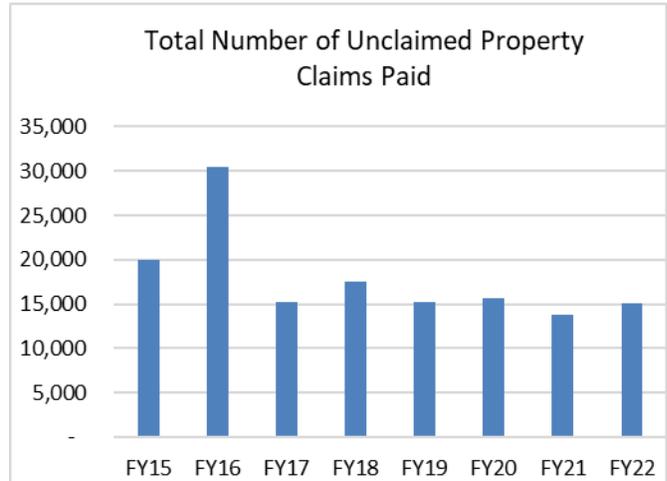
- Consumer Services Center
 - Provides services to consumers who have inquires or complaints about insurance companies.
 - Mediates disputes between consumers and insurance companies.
 - Investigates complaints about improper insurance claims practices.
 - Provides outreach and education to consumers and industry about common insurance problems or issues.
 - Responded to approximately 24,000 consumer calls in CY 2021.
 - Recovered \$3.4 million for 177 Minnesota consumers in CY 2021.
- Senior Fraud Prevention
 - Works with Minnesotans and Minnesota financial institutions to safeguard vulnerable adults from financial exploitation and scams.
 - Conducts presentations and outreach events with organizations and communities that support older Minnesotans as well as financial institutions on financial scams and the protections in Minnesota law designed to safeguard the assets of vulnerable adults.
- Communications
 - Engages Minnesotans on the work of the agency through all media channels and in public settings.
 - Maintains Commerce’s external website, traditional and social media outlets and responds to media inquiries.
- Government Affairs
 - Leads policy development and advocacy for the agency at the state, federal and local levels.
 - Oversees constituent services responses for consumers who contact the agency via elected officials.
 - Collaborates with individuals and organizations on community outreach engagement to design mutually beneficial actions on issues identified by Minnesotans within the agency’s purview.
- Tribal Relations
 - Leads continual engagement and partnership with Tribal Nations on matters of mutual interest within the agency’s regulatory purview.
 - Embodies Commerce’s Tribal Nations Consultation Policy and leads fulfillment of the agency’s commitments and responsibilities under the policy and state law.
- Legal Services
 - Provides legal advice and statutory analysis to leadership and staff; helps ensure the provision of consistent legal information to regulated industries, licensees, and members of the public; and coordinates with state and federal agencies on matters of mutual interest within Commerce’s regulatory sphere.
 - Conducts risk analysis; directs and assists with litigation and administrative hearings; and advises and assists in drafting legislative proposals and rulemaking.
- Financial Services
 - Manages day-to-day office and financial operations.
 - Provides information management services and technical support including data processing, budget implementation, payroll and facilities management.

- Human Resources
 - Conducts policy administration, staffing, recruitment, workforce planning, labor relations, benefits administration and other functions for the agency and its staff.
 - Drives Department efforts to increase diversity and inclusion within the organization including developing pipelines and community partnerships, increased employee engagement, improved onboarding processes, new recruiting efforts at statewide career fairs and expanded advertisement of career opportunities in diverse mediums.

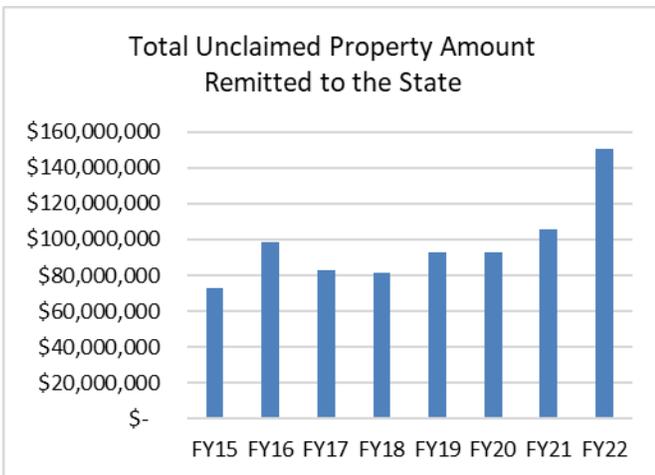
RESULTS



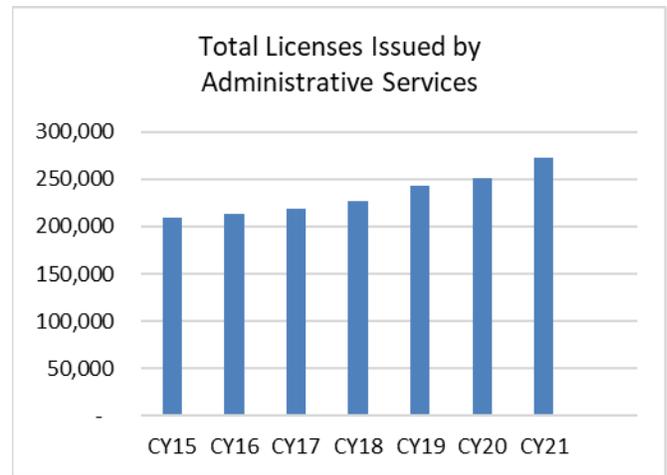
In FY 2022, \$50.1 million in unclaimed property was returned to consumers.



In FY 2022, 15,106 unclaimed property claims were paid.



In FY 2022, \$150.4 million in unclaimed property was remitted to the State.



In CY 2021, there were 272,882 active licenses issued by the Licensing Unit.

Statutory Authority: While many of the categories of licensure administered by the Division have their own statutory citations, the Department’s authority is located in Chapter 45 and 345.

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|--------------------------------------|----------------|----------------|----------------|------------------|---------------|---------------|------------------------------|---------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 6,715 | 7,402 | 7,110 | 11,018 | 8,611 | 8,615 | 9,137 | 9,394 |
| 2000 - Restrict Misc Special Revenue | 1,937 | 1,654 | 2,217 | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 |
| 3000 - Federal | | | | 38 | 38 | | 38 | |
| Total | 8,652 | 9,056 | 9,327 | 13,456 | 11,049 | 11,015 | 11,575 | 11,794 |
| Biennial Change | | | | 5,076 | | (719) | | 586 |
| Biennial % Change | | | | 29 | | (3) | | 3 |
| Governor's Change from Base | | | | | | | | 1,305 |
| Governor's % Change from Base | | | | | | | | 6 |

Expenditures by Activity

| | | | | | | | | |
|-------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Administrative Services | 8,652 | 9,056 | 9,327 | 13,456 | 11,049 | 11,015 | 11,575 | 11,794 |
| Total | 8,652 | 9,056 | 9,327 | 13,456 | 11,049 | 11,015 | 11,575 | 11,794 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Compensation | 6,162 | 6,370 | 6,711 | 7,885 | 7,872 | 7,839 | 8,398 | 8,618 |
| Operating Expenses | 2,490 | 2,620 | 2,613 | 5,567 | 3,173 | 3,172 | 3,173 | 3,172 |
| Capital Outlay-Real Property | | 66 | | | | | | |
| Other Financial Transaction | 0 | 0 | 3 | 4 | 4 | 4 | 4 | 4 |
| Total | 8,652 | 9,056 | 9,327 | 13,456 | 11,049 | 11,015 | 11,575 | 11,794 |

Full-Time Equivalents

| | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 64.13 | 63.07 | 64.90 | 69.03 | 69.13 | 68.63 | 71.13 | 70.63 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|

Regulatory and Administrative Services Division

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base FY24 FY25 | | Governor's Recommendation FY24 FY25 | |
|-----------------------------------|----------------|----------------|----------------|------------------|----------------------------|--------------|---|--------------|
| 1000 - General | | | | | | | | |
| Balance Forward In | | 2,183 | | 2,218 | | | | |
| Direct Appropriation | 8,868 | 8,597 | 9,346 | 8,821 | 8,632 | 8,636 | 9,158 | 9,415 |
| Transfers In | | 1,220 | | | | | | |
| Transfers Out | | 1,029 | 18 | 21 | 21 | 21 | 21 | 21 |
| Cancellations | | 3,569 | | | | | | |
| Balance Forward Out | 2,153 | | 2,218 | | | | | |
| Expenditures | 6,715 | 7,402 | 7,110 | 11,018 | 8,611 | 8,615 | 9,137 | 9,394 |
| Biennial Change in Expenditures | | | | 4,012 | | (902) | | 403 |
| Biennial % Change in Expenditures | | | | 28 | | (5) | | 2 |
| Governor's Change from Base | | | | | | | | 1,305 |
| Governor's % Change from Base | | | | | | | | 8 |
| Full-Time Equivalents | 45.40 | 44.30 | 45.38 | 48.53 | 48.63 | 48.63 | 50.63 | 50.63 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Balance Forward In | 3,041 | 3,276 | 3,478 | 2,483 | 1,683 | 883 | 1,683 | 883 |
| Receipts | 2,173 | 1,856 | 1,222 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 |
| Internal Billing Receipts | 2,173 | 1,852 | 1,163 | 1,575 | 1,575 | 1,575 | 1,575 | 1,575 |
| Balance Forward Out | 3,276 | 3,478 | 2,483 | 1,683 | 883 | 83 | 883 | 83 |
| Expenditures | 1,937 | 1,654 | 2,217 | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 |
| Biennial Change in Expenditures | | | | 1,026 | | 183 | | 183 |
| Biennial % Change in Expenditures | | | | 29 | | 4 | | 4 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 18.73 | 18.77 | 19.52 | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 |

3000 - Federal

| | | | | | | | | |
|-----------------------------------|--|--|--|-----------|-----------|---|-----------|---|
| Receipts | | | | 38 | 38 | | 38 | |
| Expenditures | | | | 38 | 38 | | 38 | |
| Biennial Change in Expenditures | | | | 38 | | 0 | | 0 |
| Biennial % Change in Expenditures | | | | | | | | |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | |
| Full-Time Equivalents | | | | 0.50 | 0.50 | | 0.50 | |

Program: Enforcement Division

mn.gov/commerce/consumers/file-a-complaint/

AT A GLANCE

In CY 2021, the Enforcement Division:

- **\$9.8 million:** Recovered for Minnesota consumers through administrative action.
- **\$1.8 million:** Civil penalties assessed by the Enforcement Division.
- **625:** Questions, concerns and inquiries received by the Enforcement Division.
- **4,638:** Investigations opened.
- **2,991:** Reports of suspected insurance fraud.
- **\$7.1 million:** Amount of grants issued by the Commerce Fraud Bureau to local law enforcement agencies throughout Minnesota through the Auto Theft Prevention Program.
- **\$7.4 million:** Total economic impact of Commerce Fraud Bureau investigations that resulted in prosecutions.

PURPOSE AND CONTEXT

The mission of the Commerce Department's Enforcement Division is to protect consumers by monitoring conduct and investigating complaints related to unfair, deceptive, or fraudulent practices.

The Commerce Department regulates 22 industries in Minnesota, covering a large portion of the economic activity in the state. These industries include insurance, securities, financial institutions, real estate and collection agencies. The Enforcement Division works to ensure that businesses in these regulated industries operate in compliance with Minnesota law.

The Division performs audits and examinations of regulated businesses, responds to complaints and conducts investigations of suspected illegal activity. When the Division uncovers illegal activity, it can initiate administrative action or, where appropriate, collaborate with local law enforcement, county prosecutors, and the United States Attorney's Office to pursue criminal charges. In addition, our Multi-Industry Team collaborates with the Minnesota Department of Health (MDH) and the Minnesota Pollution Control Agency (MPCA) to monitor chemical hazards in consumer products and the environment, educate citizens, vulnerable communities and businesses about chemical hazards and how to avoid them; and take appropriate steps to enforce our laws to ensure our vulnerable communities, especially children, are protected from chemical hazards.

The Civil Investigations Unit is funded through General Fund appropriations. The Commerce Fraud Bureau is funded through General Fund appropriations, an assessment of insurance companies doing business in Minnesota and a special revenue fund appropriation from the Auto Theft Prevention Account.

SERVICES PROVIDED

Civil Investigations

- Conduct civil investigations, audits, and market conduct examinations to determine if laws under Commerce's jurisdiction have been violated, while providing due process during the resolution of any alleged violations.
- Regulate business activity to ensure compliance, responsible business conduct, and a fair and consistent regulatory environment for businesses and consumers.
- Engage in outreach activities to inform, educate, and obtain feedback from Minnesota consumers and businesses.

- Work with industry to increase the transparency and efficiency of the insurance examination process.
 - During the FY 2020-21 biennium , Commerce’s insurance market conduct opened 2 examination files and closed 10 files resulting in \$931,228 of civil penalty collections.
- Advocate for and assist investors and consumers through consumer complaint resolution and public education and outreach.
- Ensure compliant, responsible business conduct and practices to ensure a fair and consistent regulatory environment.
 - During the FY 2020-21 biennium, the securities investigation team opened 783 files, closed 96 files, gained \$1.9 million in recoveries for Minnesota consumers and collected \$182,490 in civil penalties.

Commerce Fraud Bureau

- Undertake criminal investigations related to insurance fraud and other related criminal activities.
- Review notices and reports of insurance fraud submitted by insurers, their employees, and agents or producers, as well as notifications or complaints of suspected insurance fraud generated by other law enforcement agencies, state or federal government units or the public.
- During CY 2021, the Fraud Bureau initiated investigations into 2,991 cases, representing a 16 percent decrease from the 3,600 investigations conducted in 2020.
 - These investigations resulted in prosecutions of individuals who were responsible for committing crimes with an economic impact of more than \$7.4 million to Minnesotans.
- Administer the Auto Theft Prevention Account and grant program which partners with local law enforcement to reduce the incidence of auto theft across Minnesota. During the current biennium, the CFB issued \$7.1 million in grant funds to 42 different jurisdictions through two (2) different grant programs.

RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Years</i> |
|------------------------|---|-----------------|----------------|---------------------|
| Quantity | Civil Investigations Initiated | 4,500 | 4,638 | CY 2020 and CY 2021 |
| Quantity | Criminal Investigations Initiated | 3,600 | 2,991 | CY 2020 and CY 2021 |
| Results | Formal Civil Administrative Actions Taken | 222 | 273 | CY 2020 and CY 2021 |
| Results | Civil Penalties Assessed | \$2.1 million | \$1.8 million | CY 2020 and CY 2021 |

Statutory Authority: The Department’s authority is located in Chapters 45, 60A and 65B.

Enforcement Division

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|---|----------------|----------------|----------------|------------------|---------------|---------------|------------------------------|---------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 5,568 | 5,742 | 5,404 | 6,929 | 5,886 | 5,886 | 6,375 | 6,556 |
| 2000 - Restrict Misc Special Revenue | 6,420 | 7,149 | 9,255 | 11,580 | 11,430 | 11,450 | 11,430 | 11,450 |
| 2830 - Workers Compensation | 196 | 189 | 187 | 215 | 201 | 201 | 208 | 215 |
| 3000 - Federal | | 1 | 10 | 10 | 4 | | 4 | |
| 6000 - Miscellaneous Agency | | 59 | | | | | | |
| Total | 12,184 | 13,139 | 14,855 | 18,734 | 17,521 | 17,537 | 18,017 | 18,221 |
| Biennial Change | | | | 8,266 | | 1,469 | | 2,649 |
| Biennial % Change | | | | 33 | | 4 | | 8 |
| Governor's Change from Base | | | | | | | | 1,180 |
| Governor's % Change from Base | | | | | | | | 3 |
| <u>Expenditures by Activity</u> | | | | | | | | |
| Enforcement | 12,184 | 13,139 | 14,855 | 18,389 | 17,176 | 17,192 | 17,672 | 17,876 |
| Investigations | | | | 345 | 345 | 345 | 345 | 345 |
| Total | 12,184 | 13,139 | 14,855 | 18,734 | 17,521 | 17,537 | 18,017 | 18,221 |
| <u>Expenditures by Category</u> | | | | | | | | |
| Compensation | 7,601 | 7,797 | 7,493 | 8,751 | 8,741 | 8,741 | 9,196 | 9,404 |
| Operating Expenses | 3,364 | 3,396 | 3,813 | 5,444 | 4,641 | 4,637 | 4,682 | 4,658 |
| Grants, Aids and Subsidies | 1,217 | 1,913 | 3,502 | 4,030 | 4,080 | 4,100 | 4,080 | 4,100 |
| Capital Outlay-Real Property | | 25 | | 456 | 6 | 6 | 6 | 6 |
| Other Financial Transaction | 2 | 8 | 47 | 53 | 53 | 53 | 53 | 53 |
| Total | 12,184 | 13,139 | 14,855 | 18,734 | 17,521 | 17,537 | 18,017 | 18,221 |
| Total Agency Expenditures | 12,184 | 13,139 | 14,855 | 18,734 | 17,521 | 17,537 | 18,017 | 18,221 |
| Internal Billing Expenditures | 386 | 317 | 189 | 215 | 215 | 215 | 215 | 215 |
| Expenditures Less Internal Billing | 11,798 | 12,822 | 14,666 | 18,519 | 17,306 | 17,322 | 17,802 | 18,006 |
| <u>Full-Time Equivalent</u> | | | | | | | | |
| | 67.99 | 67.55 | 58.09 | 65.03 | 65.03 | 65.03 | 66.03 | 66.03 |

Enforcement Division

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 400 | 272 | 521 | | | | |
| Direct Appropriation | 5,967 | 6,329 | 5,689 | 7,317 | 6,736 | 6,736 | 7,225 | 7,406 |
| Transfers In | | | 300 | | | | | |
| Transfers Out | 18 | 319 | 35 | 909 | 850 | 850 | 850 | 850 |
| Cancellations | | 396 | 300 | | | | | |
| Balance Forward Out | 381 | 272 | 521 | | | | | |
| Expenditures | 5,568 | 5,742 | 5,404 | 6,929 | 5,886 | 5,886 | 6,375 | 6,556 |
| Biennial Change in Expenditures | | | | 1,023 | | (561) | | 598 |
| Biennial % Change in Expenditures | | | | 9 | | (5) | | 5 |
| Governor's Change from Base | | | | | | | | 1,159 |
| Governor's % Change from Base | | | | | | | | 10 |
| Full-Time Equivalents | 44.85 | 44.55 | 35.90 | 37.83 | 37.83 | 37.83 | 38.83 | 38.83 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Balance Forward In | 11,198 | 14,563 | 17,126 | 16,864 | 15,217 | 13,681 | 15,217 | 13,681 |
| Receipts | 9,784 | 9,713 | 9,293 | 9,063 | 9,083 | 9,083 | 9,083 | 9,083 |
| Transfers In | 1,300 | 1,515 | 1,500 | 2,170 | 2,111 | 2,111 | 2,111 | 2,111 |
| Transfers Out | 1,300 | 1,515 | 1,800 | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 |
| Balance Forward Out | 14,562 | 17,126 | 16,864 | 15,217 | 13,681 | 12,125 | 13,681 | 12,125 |
| Expenditures | 6,420 | 7,149 | 9,255 | 11,580 | 11,430 | 11,450 | 11,430 | 11,450 |
| Biennial Change in Expenditures | | | | 7,266 | | 2,045 | | 2,045 |
| Biennial % Change in Expenditures | | | | 54 | | 10 | | 10 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 21.88 | 21.88 | 21.02 | 26.03 | 26.03 | 26.03 | 26.03 | 26.03 |

2830 - Workers Compensation

| | | | | | | | | |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Balance Forward In | | 4 | | 14 | | | | |
| Direct Appropriation | 200 | 200 | 201 | 201 | 201 | 201 | 208 | 215 |
| Cancellations | | 15 | | | | | | |
| Balance Forward Out | 4 | | 14 | | | | | |
| Expenditures | 196 | 189 | 187 | 215 | 201 | 201 | 208 | 215 |
| Biennial Change in Expenditures | | | | 17 | | 0 | | 21 |

Enforcement Division

Program Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|--------|--------|--------|----------|---------------|------|---------------------------|------|
| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY24 | FY25 |
| Biennial % Change in Expenditures | | | | 4 | | 0 | | 5 |
| Governor's Change from Base | | | | | | | | 21 |
| Governor's % Change from Base | | | | | | | | 5 |
| Full-Time Equivalents | 1.26 | 1.12 | 1.17 | 1.17 | 1.17 | 1.17 | 1.17 | 1.17 |

3000 - Federal

| | | | | | | | | |
|-----------------------------------|--|----------|-----------|-----------|----------|------|----------|------|
| Receipts | | 1 | 10 | 10 | 4 | | 4 | |
| Expenditures | | 1 | 10 | 10 | 4 | | 4 | |
| Biennial Change in Expenditures | | | | 19 | | (16) | | (16) |
| Biennial % Change in Expenditures | | | | | | (80) | | (80) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | |

6000 - Miscellaneous Agency

| | | | | | | | | |
|-----------------------------------|----|-----------|----|------|--|---|--|---|
| Balance Forward In | 17 | 17 | 22 | 47 | | | | |
| Receipts | 1 | 63 | 26 | (47) | | | | |
| Balance Forward Out | 17 | 22 | 48 | | | | | |
| Expenditures | | 59 | | | | | | |
| Biennial Change in Expenditures | | | | (59) | | 0 | | 0 |
| Biennial % Change in Expenditures | | | | | | | | |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | |

Program: Telecommunications<https://mn.gov/commerce/industries/telecom/>**AT A GLANCE**

- **764,000:** Residential and business telephone service lines subject to regulatory consumer protections, including reliable and vital 911 services.
- **555:** Opened investigations and dockets in CY 2021.
- **653:** Number of new Telephone Equipment Distribution (TED) Program participants in CY 2021.

PURPOSE AND CONTEXT

Commerce's Telecommunications Unit serves the public as the state regulator of the telecommunications industry. The Unit provides the Public Utilities Commission (PUC) and the Legislature with information and policy alternatives that are responsive to rapidly changing market conditions, including the transition to internet protocol technology.

The Unit reviews filings made with the PUC by telecommunications companies in compliance with state statutes, PUC rules and orders, and federal regulations. It investigates complaints from the public, local governments and telecommunications companies about illegal, unfair, or anti-competitive practices and takes action to enforce state and federal statutes and regulations. The unit ensures that consumers are protected when receiving telephone services subject to state oversight.

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

Most of the unit's functions are funded by an assessment on regulated telecommunications companies. The TAM program is funded by a fee imposed on consumers, collected by regulated telecommunications companies, wireless companies, and point of sale retail outlets selling prepaid wireless services.

SERVICES PROVIDED

- Advocacy on behalf of the public interest for statewide telecommunications policies that promote high quality, affordable telecommunications network in Minnesota.
- Enforcement of Minnesota and Federal laws and rules of the PUC and the Federal Communications Commission.
- Investigation of company filings and telecommunications matters for compliance with Minnesota requirements.
- Administrative review of licensing requests, service quality, pricing of services, and the competitive practices of telecommunications companies.
- Deployment of infrastructure for improved voice, video, and data transmission, while protecting consumers of regulated telephone services.
- Resolution of telecommunications complaints relating to service in rural areas, service outages, excessive fees and critical 911 service.

RESULTS

The Unit measures success by the extent to which all Minnesota citizens have access to high-quality, affordable telecommunications services, regardless of technology. The impact of the unit's activities is reflected in the availability of competitive alternatives and continued service to those areas in Minnesota with a single provider, including reliable and vital 911 services.

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|-----------------------------------|-----------------------------------|----------------------------|
| Quality | Telecommunications Penetration - Wireline Residential - Wireline Business - Wireless | 850,000 1,133,000 5,785,000 | 774,000 1,146,000 5,890,000 | June 2020 and June 2021 |
| Quantity | Number of new Telephone Equipment Distribution Program participants | 797 | 653 | CY 2020 and CY 2021 |
| Quantity | Number of Minnesota Relay conversation minutes | 626,245 | 437,032 | CY 2020 and CY 2021 |

Statutory Authority: The Department's authority to regulate telecommunications providers is located in Chapter 216A.

Telecommunications

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|--|----------------|----------------|----------------|------------------|---------------|------|------------------------------|------|
| | | | | | FY24 | FY25 | FY24 | FY25 |

Expenditures by Fund

| | | | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1000 - General | 887 | 852 | 927 | 1,198 | 1,070 | 1,070 | 1,108 | 1,148 |
| 2000 - Restrict Misc Special Revenue | 3,298 | 2,873 | 2,418 | 2,858 | 2,733 | 2,820 | 2,733 | 2,820 |
| Total | 4,185 | 3,724 | 3,345 | 4,056 | 3,803 | 3,890 | 3,841 | 3,968 |
| Biennial Change | | | | (508) | | 292 | | 408 |
| Biennial % Change | | | | (6) | | 4 | | 6 |
| Governor's Change from Base | | | | | | | | 116 |
| Governor's % Change from Base | | | | | | | | 2 |

Expenditures by Activity

| | | | | | | | | |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Telecommunications | 4,185 | 3,724 | 3,345 | 4,056 | 3,803 | 3,890 | 3,841 | 3,968 |
| Total | 4,185 | 3,724 | 3,345 | 4,056 | 3,803 | 3,890 | 3,841 | 3,968 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Compensation | 864 | 820 | 840 | 987 | 987 | 987 | 1,025 | 1,065 |
| Operating Expenses | 3,321 | 2,889 | 2,506 | 3,068 | 2,815 | 2,902 | 2,815 | 2,902 |
| Capital Outlay-Real Property | | 15 | | | | | | |
| Other Financial Transaction | | 0 | | 1 | 1 | 1 | 1 | 1 |
| Total | 4,185 | 3,724 | 3,345 | 4,056 | 3,803 | 3,890 | 3,841 | 3,968 |

| | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Agency Expenditures | 4,185 | 3,724 | 3,345 | 4,056 | 3,803 | 3,890 | 3,841 | 3,968 |
| Internal Billing Expenditures | 17 | 12 | 7 | 16 | 16 | 16 | 16 | 16 |
| Expenditures Less Internal Billing | 4,168 | 3,713 | 3,339 | 4,040 | 3,787 | 3,874 | 3,825 | 3,952 |

Full-Time Equivalent

| | | | | | | | | |
|--|------|------|------|------|------|------|------|------|
| | 6.97 | 6.78 | 6.48 | 7.09 | 7.09 | 7.09 | 7.09 | 7.09 |
|--|------|------|------|------|------|------|------|------|

Telecommunications

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 123 | | 128 | | | | |
| Direct Appropriation | 1,017 | 1,047 | 1,383 | 1,090 | 1,090 | 1,090 | 1,128 | 1,168 |
| Transfers In | 1,105 | 1,264 | 913 | 974 | 1,099 | 1,099 | 1,099 | 1,099 |
| Transfers Out | 9 | 68 | 328 | 20 | 20 | 20 | 20 | 20 |
| Cancellations | 1,105 | 1,514 | 913 | 974 | 1,099 | 1,099 | 1,099 | 1,099 |
| Balance Forward Out | 121 | | 128 | | | | | |
| Expenditures | 887 | 852 | 927 | 1,198 | 1,070 | 1,070 | 1,108 | 1,148 |
| Biennial Change in Expenditures | | | | 386 | | 15 | | 131 |
| Biennial % Change in Expenditures | | | | 22 | | 1 | | 6 |
| Governor's Change from Base | | | | | | | | 116 |
| Governor's % Change from Base | | | | | | | | 5 |
| Full-Time Equivalents | 5.88 | 5.69 | 5.39 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Balance Forward In | 1,767 | 1,710 | 3,236 | 4,065 | 4,152 | 4,239 | 4,152 | 4,239 |
| Receipts | 6,211 | 7,039 | 6,198 | 6,012 | 6,012 | 6,012 | 6,012 | 6,012 |
| Transfers In | | 671 | 23 | | | | | |
| Transfers Out | 3,165 | 3,312 | 2,973 | 3,067 | 3,192 | 3,192 | 3,192 | 3,192 |
| Balance Forward Out | 1,516 | 3,236 | 4,065 | 4,152 | 4,239 | 4,239 | 4,239 | 4,239 |
| Expenditures | 3,298 | 2,873 | 2,418 | 2,858 | 2,733 | 2,820 | 2,733 | 2,820 |
| Biennial Change in Expenditures | | | | (895) | | 277 | | 277 |
| Biennial % Change in Expenditures | | | | (15) | | 5 | | 5 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 1.09 | 1.09 | 1.09 | 1.09 | 1.09 | 1.09 | 1.09 | 1.09 |

Program: Division of Energy Resources (DER)

<https://mn.gov/commerce/industries/energy/>

AT A GLANCE

- **127,600:** Minnesota households served by the Energy Assistance Program in FFY 2022, totaling \$225 million in energy bills paid.
- **\$250 million:** Amount utility ratepayers saved due to Commerce’s advocacy at the Public Utilities Commission in the last biennium.
- **242,800:** Number of Minnesotans who received energy-related information through phone, email, web visits, brochures and the Energy Home State Fair exhibit in CY 2021.
- **140:** Electric and natural gas utility Conservation Improvement Plans (CIP) reviewed and approved, resulting in 2,069 gigawatt-hours (GWh) and 6.9 billion cubic feet (bcf) saved in calendar years 2018 and 2019 (the equivalent of removing 306,000 cars from the road for one year).
- **65:** Environmental reviews, monitoring and technical support for large energy facility projects including forty-nine wind projects, ten utility scale solar projects and six high-voltage transmission line projects.
- **1,360:** Megawatts of solar installed in Minnesota as of December 2021, which generated a 3% of electricity in Minnesota, well above the national average.
- **4,590:** Megawatts of wind installed in Minnesota as of December 2021, which generated 22% of electricity in Minnesota.

PURPOSE AND CONTEXT

Commerce’s Division of Energy Resources (DER) represents the public interest and ensures a clean, healthy environment with sustainable use of natural resources. The Division of Energy Resources:

- Ensures Minnesota’s energy system supports a strong economy, job creation, and healthy environment
- Improves existing energy infrastructure while protecting ratepayers
- Advances Minnesota’s leadership in energy efficiency
- Expands Minnesota’s renewable energy potential and energy business activity
- Assists low-income Minnesotans through financial assistance and energy conservation measures
- Ensures sufficient, reliable energy at reasonable costs

The Division of Energy Resources is funded primarily through federal grants. The Division also receives a General Fund appropriation, which is recovered through an assessment on utilities. Additional funding is assessed to utilities and paid directly to the Department.

SERVICES PROVIDED

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

State Energy Office

- Manages or provides oversight to federal, state, and special revenue dollars with over 430 active energy contracts in FY 2022 alone.
- Administers Minnesota’s Solar for Schools (SFS) program (outside Xcel Energy).
 - Provides technical assistance, curriculum development support, and program administration/direct granting. 1st round was launched in January 2020 with all K-12 funds reserved by 80 applicants that were selected to submit full grant applications. 64 full proposals received with up to 160,000 students to benefit.

- Administers the State Energy Program
 - Provides public sector energy and renewable energy financing, project, and technical assistance, through programs such as:
 - Sustainable Buildings 2030 (SB 2030) - As of 2021, there were 168 completed SB 2030 projects, which are estimated to have saved 5,140 million kBtus, 735,000 tons of avoided CO₂e and \$94.9 million to-date.
 - The Energy Savings Program – Enabling state agencies, colleges, and cities to implement major energy-saving projects. Current projects are saving the public sector \$2.4 million in annual energy costs and 107 billion BTUs of energy saved.
 - Revolving Loan Funds - Leverages nearly \$20 million in revolving loan programs for energy efficiency projects serving residential, business, nonprofit and other public sectors.
 - Monitors energy supplies serving the state to assure Minnesota residences and businesses have reliable electricity and fuel service.
 - Serves as an information resource to Minnesota consumers and businesses on clean energy programs and actions they can take to reduce energy use reaching over 200,000 MN annually.
 - Works with national labs, the University of Minnesota, and the US DOE to explore the roles long duration energy storage can plan in ensuring grid reliability, identifying the appropriate role for distributed resources in Minnesota, and by providing communities with tools to support energy resilience efforts.
 - Informs energy policy at the state and federal level by providing technical assistance and advisement on energy technologies and impacts on vulnerable communities. In FY 2022, stood up the Community Energy Collaborative by developing a reciprocal framework with community-based organizations throughout Minnesota to inform energy policy.
 - Pursues public-private partnerships to deploy new clean energy technologies and bring new venture capital opportunities for Minnesota's businesses.
 - From 2013-2021, solar jobs in Minnesota increased from 814 to 4,570, with a peak in 2018 of 4,602 jobs.
 - Minnesota added 124 MW of solar capacity in 2021, down from 146 MW in 2020.
- Administers the Low-Income Weatherization Assistance Program
 - Administers \$45 million annually through the Low-Income Weatherization Assistance Program (starting in FY22) serving more than 2,200 households annually by providing income-eligible homeowners and renters' comprehensive energy savings and healthy and safe homes.

Energy Assistance Program

- Administers as much as \$225 million in annual funding from the federal Low-Income Home Energy Assistance Program (LIHEAP). In FFY 2020, served 127,600 households across the state.

Regulatory Services:

- Advocates for the public interest in proceedings before the Public Utilities Commission (PUC), including rate cases, resource plans, and certificates of need, and advocates on behalf of Minnesota ratepayers in regional and federal matters.
- Ensures an affordable and reliable electric and natural gas system that minimizes impacts to the environment.
- Conducts environmental review and provides technical expertise and assistance to the PUC for large energy projects in Minnesota.
- Oversees the State's Conservation Improvement Programs (CIP) to ensure that utility customers receive a comprehensive suite of energy efficiency and conservation opportunities.
 - Electric and natural gas savings for calendar years 2018 and 2019 totaled 2,069 gigawatt-hours (GWh) and 6.9 billion cubic feet (bcf), respectively. These amounts are enough energy to heat, cool and

- power more than 146,000 homes for a year or roughly the combined number of homes in Saint Paul and Duluth.
- CIP utility portfolios achieved 1.55 million tons of avoided CO2 emissions in calendar years 2018-2019. These savings equate to removing more than 306,000 vehicles from the road or about six percent of the state’s registered vehicles.
- In 2019, CIP helped support and grow over 41,000 energy efficiency jobs in Minnesota.

RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|--|---|---|---|
| Results | Energy savings goals in CIP* (Natural Gas/Electric percentages) | Electric Utility Savings: 2.0% Natural Gas Utility Savings: 1.3% | Electric Utility Savings: 1.7% Natural Gas Utility Savings: 1.1% | CY 2018 and CY 2019 |
| Results | Renewable Energy Standard of 25% of electricity sales comes from renewable sources by 2025** | All Electric utilities: 22% | All Electric utilities: 24.5% | CY 2016 and CY 2021 |
| Quantity | Number of households served by low-income heating (LIHEAP) and weatherization (WAP) programs | LIHEAP: 116,300 WAP: 1,801 | LIHEAP: 127,600 WAP: 2,294 | LIHEAP: CY 2019 and CY 2020 WAP: FY 2020 and FY 2022 |
| Results | Amount of solar installed in Minnesota toward utilities’ 1.5% Solar Energy Standard by 2020. | 555 MW Capacity | 1,241 MW Capacity, 2.7% of Electricity | CY 2017 and CY 2021 |

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

** (Minn. Stat. § 216B.1691 requires Xcel to meet a 30% goal by 2020; the 25% x 2025 goal is for all other utilities)

Statutory Authority: The Department’s authority is located in Chapters: 16B, 16C, 116J, 216A, 216B, 216C, 216E, 216G, 272.

Division of Energy Resources

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|--------------------------------------|----------------|----------------|----------------|------------------|----------------|----------------|------------------------------|----------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 4,500 | 3,915 | 4,136 | 14,471 | 5,855 | 4,717 | 7,299 | 6,338 |
| 2000 - Restrict Misc Special Revenue | 8,298 | 7,943 | 8,907 | 13,450 | 10,002 | 10,002 | 57,541 | 60,951 |
| 2340 - Renewable Development | 3,620 | 6,898 | 8,356 | 31,137 | 27,147 | 5,500 | 27,147 | 5,500 |
| 3000 - Federal | 121,966 | 127,708 | 253,163 | 160,293 | 180,528 | 177,672 | 180,528 | 177,672 |
| Total | 138,384 | 146,464 | 274,562 | 219,351 | 223,532 | 197,891 | 272,515 | 250,461 |
| Biennial Change | | | | 209,066 | | (72,490) | | 29,063 |
| Biennial % Change | | | | 73 | | (15) | | 6 |
| Governor's Change from Base | | | | | | | | 101,553 |
| Governor's % Change from Base | | | | | | | | 24 |

Expenditures by Activity

| | | | | | | | | |
|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Energy Resources | 138,384 | 146,464 | 274,562 | 219,351 | 223,532 | 197,891 | 272,515 | 250,461 |
| Total | 138,384 | 146,464 | 274,562 | 219,351 | 223,532 | 197,891 | 272,515 | 250,461 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Compensation | 8,894 | 8,972 | 9,465 | 11,738 | 11,814 | 11,607 | 16,972 | 17,752 |
| Operating Expenses | 9,118 | 9,207 | 9,793 | 12,731 | 13,786 | 13,719 | 15,096 | 14,144 |
| Grants, Aids and Subsidies | 120,372 | 128,267 | 255,296 | 194,872 | 197,922 | 172,555 | 240,437 | 218,555 |
| Capital Outlay-Real Property | | 15 | 7 | | | | | |
| Other Financial Transaction | 0 | 3 | 1 | 10 | 10 | 10 | 10 | 10 |
| Total | 138,384 | 146,464 | 274,562 | 219,351 | 223,532 | 197,891 | 272,515 | 250,461 |

| | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Agency Expenditures | 138,384 | 146,464 | 274,562 | 219,351 | 223,532 | 197,891 | 272,515 | 250,461 |
| Internal Billing Expenditures | 951 | 788 | 476 | 856 | 994 | 987 | 1,014 | 1,007 |
| Expenditures Less Internal Billing | 137,434 | 145,676 | 274,086 | 218,495 | 222,538 | 196,904 | 271,501 | 249,454 |

| | | | | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| <u>Full-Time Equivalent</u> | 78.24 | 75.19 | 78.62 | 86.62 | 90.27 | 90.17 | 120.27 | 127.17 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|

Division of Energy Resources

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 233 | | 9,754 | | | | |
| Direct Appropriation | 4,727 | 4,380 | 14,025 | 4,756 | 5,894 | 4,756 | 201,457 | 43,956 |
| Transfers Out | 18 | 384 | 135 | 39 | 39 | 39 | 194,158 | 37,618 |
| Cancellations | | 314 | | | | | | |
| Balance Forward Out | 210 | | 9,754 | | | | | |
| Expenditures | 4,500 | 3,915 | 4,136 | 14,471 | 5,855 | 4,717 | 7,299 | 6,338 |
| Biennial Change in Expenditures | | | | 10,192 | | (8,035) | | (4,970) |
| Biennial % Change in Expenditures | | | | 121 | | (43) | | (27) |
| Governor's Change from Base | | | | | | | | 3,065 |
| Governor's % Change from Base | | | | | | | | 29 |
| Full-Time Equivalents | 27.06 | 25.32 | 26.00 | 28.07 | 27.45 | 27.45 | 35.45 | 35.45 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Balance Forward In | 13,028 | 14,343 | 15,716 | 15,889 | 12,380 | 11,919 | 12,380 | 159,499 |
| Receipts | 8,890 | 8,882 | 8,625 | 9,491 | 9,091 | 9,091 | 10,091 | 10,091 |
| Transfers In | 535 | 409 | 458 | 450 | 450 | 450 | 194,569 | 38,029 |
| Transfers Out | | | 0 | | | | | |
| Balance Forward Out | 14,155 | 15,690 | 15,891 | 12,380 | 11,919 | 11,458 | 159,499 | 146,668 |
| Expenditures | 8,298 | 7,943 | 8,907 | 13,450 | 10,002 | 10,002 | 57,541 | 60,951 |
| Biennial Change in Expenditures | | | | 6,116 | | (2,353) | | 96,135 |
| Biennial % Change in Expenditures | | | | 38 | | (11) | | 430 |
| Governor's Change from Base | | | | | | | | 98,488 |
| Governor's % Change from Base | | | | | | | | 492 |
| Full-Time Equivalents | 24.27 | 23.24 | 21.65 | 27.42 | 25.48 | 25.48 | 47.48 | 54.48 |

2340 - Renewable Development

| | | | | | | | | |
|---------------------------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|--------------|
| Balance Forward In | 150 | 43 | 15,854 | 30,884 | 21,047 | | 21,047 | |
| Direct Appropriation | 600 | 19,350 | 20,025 | 16,800 | 1,600 | 1,000 | 1,600 | 1,000 |
| Open Appropriation | 3,414 | 3,920 | 3,861 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Cancellations | 501 | 560 | 500 | | | | | |
| Balance Forward Out | 43 | 15,854 | 30,883 | 21,047 | | | | |
| Expenditures | 3,620 | 6,898 | 8,356 | 31,137 | 27,147 | 5,500 | 27,147 | 5,500 |
| Biennial Change in Expenditures | | | | 28,975 | | (6,846) | | (6,846) |

Division of Energy Resources

Program Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|--------|--------|--------|----------|---------------|------|---------------------------|------|
| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY24 | FY25 |
| Biennial % Change in Expenditures | | | | 275 | | (17) | | (17) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 0.33 | 0.47 | 0.38 | 0.38 | 0.38 | 0.38 | 0.38 | 0.38 |

2403 - Gift

| | | | | | | | | |
|---------------------|----|----|----|-----|-----|-----|-----|-----|
| Balance Forward In | 96 | 98 | 98 | 99 | 100 | 101 | 100 | 101 |
| Receipts | 2 | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Balance Forward Out | 98 | 98 | 98 | 100 | 101 | 102 | 101 | 102 |

3000 - Federal

| | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Balance Forward In | 3 | 2 | 0 | | | | | |
| Receipts | 121,963 | 127,706 | 253,163 | 160,293 | 180,528 | 177,672 | 180,528 | 177,672 |
| Expenditures | 121,966 | 127,708 | 253,163 | 160,293 | 180,528 | 177,672 | 180,528 | 177,672 |
| Biennial Change in Expenditures | | | | 163,783 | | (55,256) | | (55,256) |
| Biennial % Change in Expenditures | | | | 66 | | (13) | | (13) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 26.58 | 26.16 | 30.59 | 30.75 | 36.96 | 36.86 | 36.96 | 36.86 |

3002 - Oil Overcharge

| | | | | | | | | |
|---------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Balance Forward In | 248 | 248 | 248 | 248 | 248 | 248 | 248 | 248 |
| Balance Forward Out | 248 | 248 | 248 | 248 | 248 | 248 | 248 | 248 |

Program: Weights & Measures Division

<https://mn.gov/commerce/industries/fuel/>

AT A GLANCE

Weights & Measures performance by the numbers:

- **35,536:** Fuel meters tested at gas stations, bulk plants, airports, and terminals.
- **7,527:** Fuel tank inspections completed.
- **1,747:** Gas Stations checked for advertising, signs, and labeling.
- **14,807:** Credit card readers inspected for skimmers.
- **1,495:** Fuel samples tested in fuel lab.
- **10,345:** Objects calibrated in metrology laboratory.
- **4,640:** Grocery, food and hardware scales tested.
- **371** Permits issued to registered service technicians.
- **2,152:** Shipping, precious metal, and other commercial industrial scales tested.
- **3,598:** Vehicle, track, hopper and other heavy capacity scales tested.

(Numbers represent the average number of items tested in FY 2020-21)

PURPOSE AND CONTEXT

Commerce's Weights & Measures Division protects Minnesota consumers and businesses and the State's commercial markets by promoting and ensuring equity between buyers and seller, accuracy of commercial measurements, and enforcing quality standards for fuels by:

- Providing Minnesota businesses and individuals with precision measurement services.
- Supporting key Minnesota industries through testing mining, logging, and agricultural scales, certifying test chains used to calibrate taconite scales, and enforcing biodiesel and biofuel content mandates.
- Promoting fairness in consumer purchases by ensuring weighing and measuring devices are accurate, properly installed, suitable for the intended purpose, properly maintained, and do not allow for fraud.
- Protecting the health and safety of Minnesota citizens and the environment by ensuring safety equipment is working at fuel stations, examining petroleum equipment for leaks, and enforcing minimum biofuel content requirements.

Weights & Measures receives \$0.89 of the \$1.00 Petroleum Inspection Fee, which is collected from the first licensed distributor on every 1,000 gallons of petroleum products received and sold in Minnesota, as well as a general fund appropriation to fund its operations.

SERVICES PROVIDED

To promote an equitable marketplace, free from fraud, and to contribute to a healthy and safe environment for all citizens, Weights and Measures provides the following services:

- The metrology laboratory maintains National Institute of Standards and Technology (NIST) recognition and National Voluntary Laboratory Accreditation Program (NVLAP) accreditation, ensures accuracy in basic physical measurement by maintaining the state standards for mass, length, volume, temperature, and density, and by offering precision calibration services to businesses and individuals.
- Field investigators enforce Minnesota statutes and rule to prevent fraud and ensure the accuracy of;
 - Metering devices like fuel pumps; meters used at terminals, refineries and airports;
 - Retail scales used in grocery stores, retail food locations, shipping, and precious metals buying;

- large capacity scale used to weigh grain, fertilizer, aggregates, taconite, railroad cars, livestock, and many other commodities; and
- Product labeling and declared net weight of prepackaged commodities at retail food locations.
- Petroleum lab and field investigators partner to ensure fuel quality, protect the environment, and enforce statutory biofuel requirements through records audits, routine sampling, complaint investigation, and fuel testing to ASTM quality, volatility, and sulfur standards.
- Testing and monitoring the competency, performance, and accuracy of the standards of registered service technicians and private liquefied petroleum gas inspectors who install and repair commercial weighing and measuring devices in Minnesota.
- Engage in regional, national, and international standard-setting organizations like the Central Weights and Measures Association (CWMA), the National Conference on Weights & Measures (NCWM), ASTM International and the National Conference of Standards Laboratories International (NCSLI) to ensure Minnesota regulation and enforcement standards stay current on the latest developments in fuel standards, metrological technologies, and to promote uniformity.

RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|-----------------|----------------|--|
| Quantity | Number of samples, devices, audits, and package lots checked annually | 72,772 | 74,781 | FY 2019-20 Avg/Yr FY 2021-22 Avg/Yr |
| Results | Percent of samples, devices, audits, and packages approved without need for corrections by Weights and Measures for sale in Minnesota | 77.0% | 75.3% | FY 2019-20 Avg/Yr FY 2021-22 Avg/Yr |
| Results | Percent of samples, devices, audits, and packages removed from marketplace | 9.1% | 13.3% | FY 2019-20 Avg/Yr FY 2021-22 Avg/Yr |
| Results | Percent of samples devices, audits, and packages corrected because of W&M inspections | 13.9% | 11.7% | FY 2019-20 Avg/Yr FY 2021-22 Avg/Yr |

Statutory Authority: The Department’s authority is located in Chapter 239.

Weights & Measures Division

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|--|----------------|----------------|----------------|------------------|---------------|------|------------------------------|------|
| | | | | | FY24 | FY25 | FY24 | FY25 |

Expenditures by Fund

| | | | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1000 - General | | | 1,152 | 1,848 | 1,500 | 1,500 | 1,606 | 1,839 |
| 2000 - Restrict Misc Special Revenue | 3,478 | 3,447 | 3,391 | 3,641 | 3,641 | 3,641 | 3,641 | 3,641 |
| Total | 3,478 | 3,447 | 4,543 | 5,489 | 5,141 | 5,141 | 5,247 | 5,480 |
| Biennial Change | | | | 3,107 | | 250 | | 695 |
| Biennial % Change | | | | 45 | | 2 | | 7 |
| Governor's Change from Base | | | | | | | | 445 |
| Governor's % Change from Base | | | | | | | | 4 |

Expenditures by Activity

| | | | | | | | | |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Weights & Measures | 3,478 | 3,447 | 4,543 | 5,489 | 5,141 | 5,141 | 5,247 | 5,480 |
| Total | 3,478 | 3,447 | 4,543 | 5,489 | 5,141 | 5,141 | 5,247 | 5,480 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Compensation | 2,511 | 2,556 | 2,688 | 3,246 | 3,246 | 3,246 | 3,352 | 3,482 |
| Operating Expenses | 947 | 888 | 1,219 | 1,335 | 1,335 | 1,335 | 1,335 | 1,438 |
| Capital Outlay-Real Property | 17 | 2 | 626 | 903 | 555 | 555 | 555 | 555 |
| Other Financial Transaction | 2 | | 10 | 5 | 5 | 5 | 5 | 5 |
| Total | 3,478 | 3,447 | 4,543 | 5,489 | 5,141 | 5,141 | 5,247 | 5,480 |

| | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Agency Expenditures | 3,478 | 3,447 | 4,543 | 5,489 | 5,141 | 5,141 | 5,247 | 5,480 |
| Internal Billing Expenditures | 25 | 25 | 50 | 50 | 50 | 50 | 50 | 50 |
| Expenditures Less Internal Billing | 3,453 | 3,422 | 4,493 | 5,439 | 5,091 | 5,091 | 5,197 | 5,430 |

Full-Time Equivalent

| | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| | 27.66 | 27.26 | 27.57 | 27.57 | 27.57 | 27.57 | 28.07 | 29.07 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|

Weights & Measures Division

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | | | 348 | | | | |
| Direct Appropriation | | | 1,500 | 1,500 | 1,500 | 1,500 | 1,606 | 1,839 |
| Balance Forward Out | | | 348 | | | | | |
| Expenditures | | | 1,152 | 1,848 | 1,500 | 1,500 | 1,606 | 1,839 |
| Biennial Change in Expenditures | | | | 3,000 | | 0 | | 445 |
| Biennial % Change in Expenditures | | | | | | 0 | | 15 |
| Governor's Change from Base | | | | | | | | 445 |
| Governor's % Change from Base | | | | | | | | 15 |
| Full-Time Equivalent | | | 3.08 | 3.08 | 3.08 | 3.08 | 3.58 | 4.58 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Balance Forward In | 705 | 741 | 534 | 587 | 588 | 589 | 588 | 589 |
| Receipts | 13 | 22 | 1 | 1 | 1 | 1 | 1 | 1 |
| Transfers In | 3,496 | 3,217 | 3,442 | 3,641 | 3,641 | 3,641 | 3,641 | 3,641 |
| Balance Forward Out | 736 | 533 | 587 | 588 | 589 | 590 | 589 | 590 |
| Expenditures | 3,478 | 3,447 | 3,391 | 3,641 | 3,641 | 3,641 | 3,641 | 3,641 |
| Biennial Change in Expenditures | | | | 107 | | 250 | | 250 |
| Biennial % Change in Expenditures | | | | 2 | | 4 | | 4 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalent | 27.66 | 27.26 | 24.49 | 24.49 | 24.49 | 24.49 | 24.49 | 24.49 |

Program: Insurance Division

<https://mn.gov/commerce/industries/insurance/>

AT A GLANCE

- **\$425 billion:** Amount of assets held by Minnesota domestic insurers regulated by the Insurance Division in CY 2021, a 2 percent increase from CY 2020.
- **133:** Domestic insurance companies in Minnesota.
- **3,827:** Policy rate and form filings reviewed in CY 2021 in the life insurance, annuity, health insurance, property & casualty insurance, and workers compensation lines of business.
- **21:** Domestic insurance companies examined as of year-end 2021.
- **20:** Certificates granted, authorizing increased competition and providing additional capacity in the insurance marketplace.
- **2022:** The Division received approval for its accreditation by the National Association of Insurance Commissioners in August 2022. Minnesota is due for re-accreditation in 2027. Accreditation allows other states to rely on the Department's review and examination of domestic insurers, reducing cost and administrative burden for Minnesota insurers.

PURPOSE AND CONTEXT

Commerce's Insurance Division ensures that insurance companies licensed to do business in Minnesota are financially sound, offer insurance products that provide value to Minnesotans, comply with state and federal law, have actuarially-reasonable rates, and respond to the insurance needs of the residents and businesses of Minnesota.

Minnesota has a relatively large insurance industry compared with other states, with 133 insurance companies under Commerce's financial supervision and 1,423 foreign (out-of-state) companies doing business in the state.

The Insurance Division's work consists of actuarial review, financial analysis, financial examinations, licensing and insurance product form and rate filing. This work is completed for all insurance types including health, automobile, homeowner, farm, flood, crop, life, long-term care, workers compensation and more.

This work of the Insurance Division is funded through a General Fund appropriation and the Special Revenue Fund for Insurance Examinations. Revenues generated from the Division's work consist of examination fees, desk audit fees, registration and filing fees, and transaction fees.

SERVICES PROVIDED

- The Insurance Division evaluates insurance policy contracts and rates sold to consumers to ensure fairness in rates and compliance with Minnesota statutes.
- The Insurance Division issues licenses to insurance companies to do business in Minnesota.
- The Insurance Division examines and regulates insurance companies, including two with over \$100 Billion in assets, to ensure they are safe and financially solvent now and in the future.

The work of the Insurance Division is divided into the following categories:

- **Actuarial** – verifies the adequacy of insurance company reserves and capital over a range of economic scenarios, and reviews pricing models to ensure rates are adequate, not excessive, fair, non-discriminatory, and equitable;
- **Financial Analysis** – evaluates information and develops a financial profile of domestic (company financials regulated by Minnesota) and foreign (company financials regulated by other states) insurance companies doing business in Minnesota, based on statutorily required financial and regulatory reports;

- **Examinations** – conducts on-site examinations of each Minnesota-domiciled insurer at least once every five years. Examiners review insurance company books and records at the company headquarters, conduct a risk-focused examination per national requirements, make recommendations for insurer improvement, and prepare examination reports;
- **Licensing** – approves insurance company applications for insurers who want to do business in the state and/or want to write additional lines of business and approves or denies those applications based on standards of compliance and financial strength; and,
- **Insurance Product Form and Rate Filings** – reviews insurance form and rate submissions for compliance with Minnesota statutes to ensure Minnesotans are protected from false and deceptive products, as well as review the financial condition of companies that self-insure.

RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|---|--|---------------------|
| Quantity | Policy Form and Rate Review | 4,060 filings reviewed | 3,949 filings reviewed | FY 2020 and FY 2022 |
| Quality | Turnaround time from filing to disposition, – Property & Casualty, including Workers Compensation forms and rates – target: 40 days | P&C: 30.27 days Worker’s Comp: 30.25 | P&C: 40.18 days Worker’s Comp: 13.9 | FY 2020 and FY 2022 |
| Quality | Turnaround time from filing to disposition, Life, Annuity & Health forms and rates – target: 40 days | 30.25 days | 28.68 days | FY 2020 and FY 2022 |
| Quantity | Financial Examinations of insurers completed within the required time frame | 13 | 21 | FY 2020 and FY 2022 |
| Quantity | Financial Analysis of insurers completed within the required time frame | 69 | 69 | FY 2020 and FY 2022 |
| Results | Percentage of Financial Examinations and Financial Analysis of insurers completed within the required time frame | 100% | 100% | FY 2020 and FY 2022 |

Performance Measure Notes:

1. Review of forms in a timely manner allows new, innovative products to be offered to Minnesotans commensurate with the rollout in other states.
2. Financial examinations are on a regular schedule and are completed on individual insurance companies. Examinations are completed every three years for Health Maintenance Organizations on behalf of the Department of Health and every five years for indemnity insurers. The National Association of Insurance Commissioners requires examinations to be completed within 18 months of the as-of date, with extensions granted in special circumstances. Financial Analysis is performed on a quarterly basis for 69 insurance entities.

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

Insurance Division

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|---|----------------|----------------|----------------|------------------|---------------|---------------|------------------------------|---------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 4,911 | 4,941 | 5,202 | 8,035 | 6,215 | 6,215 | 8,698 | 8,895 |
| 2000 - Restrict Misc Special Revenue | 3,314 | 3,301 | 3,442 | 4,600 | 4,600 | 4,600 | 4,600 | 4,600 |
| 2001 - Other Misc Special Revenue | 300 | 222 | 349 | 350 | 350 | 350 | 350 | 350 |
| 2830 - Workers Compensation | 558 | 559 | 516 | 604 | 560 | 560 | 580 | 600 |
| 3000 - Federal | 110 | 84 | | 361 | 325 | | 325 | |
| 4925 - Paid Family Medical Leave | | | | | | | 367 | 316 |
| Total | 9,193 | 9,108 | 9,509 | 13,950 | 12,050 | 11,725 | 14,920 | 14,761 |
| Biennial Change | | | | 5,158 | | 316 | | 6,222 |
| Biennial % Change | | | | 28 | | 1 | | 27 |
| Governor's Change from Base | | | | | | | | 5,906 |
| Governor's % Change from Base | | | | | | | | 25 |
| <u>Expenditures by Activity</u> | | | | | | | | |
| Insurance | 9,193 | 9,108 | 9,509 | 13,950 | 12,050 | 11,725 | 14,920 | 14,761 |
| Total | 9,193 | 9,108 | 9,509 | 13,950 | 12,050 | 11,725 | 14,920 | 14,761 |
| <u>Expenditures by Category</u> | | | | | | | | |
| Compensation | 4,830 | 4,905 | 5,039 | 6,298 | 6,019 | 5,719 | 8,439 | 8,305 |
| Operating Expenses | 4,363 | 4,189 | 4,470 | 7,645 | 6,024 | 5,999 | 6,474 | 6,449 |
| Capital Outlay-Real Property | | 15 | | | | | | |
| Other Financial Transaction | | 0 | | 7 | 7 | 7 | 7 | 7 |
| Total | 9,193 | 9,108 | 9,509 | 13,950 | 12,050 | 11,725 | 14,920 | 14,761 |
| Total Agency Expenditures | 9,193 | 9,108 | 9,509 | 13,950 | 12,050 | 11,725 | 14,920 | 14,761 |
| Internal Billing Expenditures | 183 | 143 | 76 | 192 | 192 | 178 | 192 | 178 |
| Expenditures Less Internal Billing | 9,010 | 8,965 | 9,433 | 13,758 | 11,858 | 11,547 | 14,728 | 14,583 |
| <u>Full-Time Equivalent</u> | 41.45 | 39.49 | 38.09 | 41.96 | 41.96 | 41.96 | 53.71 | 53.71 |

Insurance Division

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 569 | | 1,316 | | | | |
| Direct Appropriation | 5,422 | 5,491 | 6,512 | 6,758 | 6,254 | 6,254 | 8,737 | 8,934 |
| Open Appropriation | | | 41 | | | | | |
| Transfers In | 791 | 1,119 | 928 | 550 | 550 | 550 | 550 | 550 |
| Transfers Out | 22 | 148 | 35 | 39 | 39 | 39 | 39 | 39 |
| Cancellations | 791 | 2,091 | 928 | 550 | 550 | 550 | 550 | 550 |
| Balance Forward Out | 489 | | 1,315 | | | | | |
| Expenditures | 4,911 | 4,941 | 5,202 | 8,035 | 6,215 | 6,215 | 8,698 | 8,895 |
| Biennial Change in Expenditures | | | | 3,384 | | (807) | | 4,356 |
| Biennial % Change in Expenditures | | | | 34 | | (6) | | 33 |
| Governor's Change from Base | | | | | | | | 5,163 |
| Governor's % Change from Base | | | | | | | | 42 |
| Full-Time Equivalents | 36.28 | 35.49 | 34.77 | 38.64 | 38.64 | 38.64 | 48.39 | 48.39 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Balance Forward In | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Receipts | 4,105 | 4,420 | 4,370 | 5,150 | 5,150 | 5,150 | 5,150 | 5,150 |
| Transfers Out | 791 | 1,119 | 928 | 550 | 550 | 550 | 550 | 550 |
| Balance Forward Out | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Expenditures | 3,314 | 3,301 | 3,442 | 4,600 | 4,600 | 4,600 | 4,600 | 4,600 |
| Biennial Change in Expenditures | | | | 1,427 | | 1,158 | | 1,158 |
| Biennial % Change in Expenditures | | | | 22 | | 14 | | 14 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

2001 - Other Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Balance Forward In | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Receipts | 300 | 222 | 349 | 350 | 350 | 350 | 350 | 350 |
| Balance Forward Out | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Expenditures | 300 | 222 | 349 | 350 | 350 | 350 | 350 | 350 |
| Biennial Change in Expenditures | | | | 177 | | 1 | | 1 |
| Biennial % Change in Expenditures | | | | 34 | | 0 | | 0 |
| Governor's Change from Base | | | | | | | | 0 |

Insurance Division

Program Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-------------------------------|--------|--------|--------|----------|---------------|------|---------------------------|------|
| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY24 | FY25 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 0.97 | 0.66 | 0.97 | 0.97 | 0.97 | 0.97 | 0.97 | 0.97 |

2830 - Workers Compensation

| | | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Balance Forward In | | | | 44 | | | | |
| Direct Appropriation | 558 | 559 | 560 | 560 | 560 | 560 | 580 | 600 |
| Balance Forward Out | | | 44 | | | | | |
| Expenditures | 558 | 559 | 516 | 604 | 560 | 560 | 580 | 600 |
| Biennial Change in Expenditures | | | | 3 | | 0 | | 60 |
| Biennial % Change in Expenditures | | | | 0 | | (0) | | 5 |
| Governor's Change from Base | | | | | | | | 60 |
| Governor's % Change from Base | | | | | | | | 5 |
| Full-Time Equivalents | 3.12 | 3.08 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 |

3000 - Federal

| | | | | | | | | |
|-----------------------------------|------------|-----------|--|------------|------------|------|------------|------|
| Receipts | 110 | 84 | | 361 | 325 | | 325 | |
| Expenditures | 110 | 84 | | 361 | 325 | | 325 | |
| Biennial Change in Expenditures | | | | 166 | | (36) | | (36) |
| Biennial % Change in Expenditures | | | | 86 | | | | |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | |
| Full-Time Equivalents | 1.08 | 0.26 | | | | | | |

4925 - Paid Family Medical Leave

| | | | | | | | | |
|-----------------------------------|--|--|--|---|--|---|------------|------------|
| Direct Appropriation | | | | | | | 367 | 316 |
| Expenditures | | | | | | | 367 | 316 |
| Biennial Change in Expenditures | | | | 0 | | 0 | | 683 |
| Biennial % Change in Expenditures | | | | | | | | |
| Governor's Change from Base | | | | | | | | 683 |
| Governor's % Change from Base | | | | | | | | |
| Full-Time Equivalents | | | | | | | 2.00 | 2.00 |

6000 - Miscellaneous Agency

| | | | | | | | | |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Balance Forward In | | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 |
| Receipts | 3,500 | | | | | | | |

Insurance Division

Program Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|---------------------|--------|--------|--------|----------|---------------|-------|---------------------------|-------|
| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY24 | FY25 |
| Balance Forward Out | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 |

Program: Minnesota Premium Security Plan

<https://www.mn.gov/commerce/>

AT A GLANCE

- **\$91.1 Million:** Amount of federal funding made available to the state for plan year 2022.
- **\$444.3 Million:** Total amount of federal program funding since program inception.
- **20 Percent:** Annual average reduction in health insurance rates from what they otherwise would be absent the existence of the Minnesota Premium Security Plan program.
- **June 30, 2029:** Date under current law by which unexpended state funds appropriated for the Minnesota Premium Security Plan program must be returned to the Health Care Access Fund.

PURPOSE AND CONTEXT

Administered by the Minnesota Comprehensive Health Association (MCHA), the Minnesota Premium Security Program (MPSP) was created by the legislature in 2017 and extended through 2027 to provide reinsurance payments to health insurers to help offset the costs of high claims in the state's individual health insurance market. Funding for the program is provided through 2025.

Approximately 170,000 Minnesotans purchase their own health insurance in the individual market. The purpose of the MPSP is to lower premium costs for consumers from where they otherwise would be absent the program and promote affordable health insurance for Minnesotans in the individual market.

Expenditures for the MPSP are for grants to MCHA operations of the program and reinsurance payments to health insurers. Each year, any federal funds received by the State for the program must be expended prior to state funds. Any state funds not used by the program by June 30, 2029, will be cancelled and returned to the Health Care Access Fund.

SERVICES PROVIDED

The Commerce Department serves as the fiscal agent for appropriations directed to the MPSP.

In October 2017, the Commerce Department obtained approval of a Federal 1332 Waiver that authorized the program's operation under the Affordable Care Act (ACA). In July 2022, Commerce received approval of an extension of the Waiver through December 31, 2027. Commerce is the state's reporting agent to the federal government on the federal funds provided to the program.

Commerce provides state oversight of the program and is responsible for approving the MPSP program parameters on an annual basis.

RESULTS

The MPSP has had a stabilizing effect on Minnesota's individual health insurance market rates, which are what people pay for their health insurance premiums. This effect can be measured by examining health insurer's year-over-year rate changes since inception of the program:

| Average Rate Change Over Prior Year | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------|
| Insurer | Final 2018 | Final 2019 | Final 2020 | Final 2021 | Final 2022 | Proposed 2023 |
| Blue Plus | 2.8% | -27.7% | -1.5% | 4.2% | 7.4% | -2.3% |
| HealthPartners, Inc/Group Health, Inc | -7.5% | -7.4% | -1.3% | 0.7% | 9.5% | 2.1% |
| Medica Ins Co | -0.4% | -12.4% | -1.0% | 2.4% | 9.0% | 6.0% |
| PreferredOne Ins Co | -38.0% | -11.0% | -20.0% | 1.1% | 7.1% | 18.0% |
| Quartz Health Plan MN | NA | NA | NA | New | 4.3% | 22.2% |
| UCare | -13.3% | -10.0% | 0.2% | 1.6% | 11.3% | 6.2% |

Statutory Authority: The authority for this program is found in Minnesota Statutes 62E.23. It was originally authorized under Minnesota Session Law 2017, Chapter 13 and Special Session 1, Chapter 6, Article 5, Section 10 and extended under Minnesota Session Law 2019, Special Session 1, Chapter 9, Article 8, Section 19, Minnesota Session Law 2021, Special Session 1, Chapter 7, article 15, section 1, and Minnesota Session Law 2022, Regular Session, Chapter 44, Section 15.

Minnesota Premium Security Plan

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|--|----------------|----------------|----------------|------------------|----------------|----------------|------------------------------|----------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 2001 - Other Misc Special Revenue | 65,967 | 74,395 | 46,977 | 68,451 | 116,590 | 145,129 | 116,590 | 145,129 |
| 3000 - Federal | 84,758 | 86,064 | 142,727 | 91,110 | 121,480 | 121,480 | 121,480 | 121,480 |
| Total | 150,725 | 160,459 | 189,705 | 159,561 | 238,070 | 266,609 | 238,070 | 266,609 |
| Biennial Change | | | | 38,082 | | 155,413 | | 155,413 |
| Biennial % Change | | | | 12 | | 45 | | 45 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| <u>Expenditures by Activity</u> | | | | | | | | |
| Reinsurance Program | 150,725 | 160,459 | 189,705 | 159,561 | 238,070 | 266,609 | 238,070 | 266,609 |
| Total | 150,725 | 160,459 | 189,705 | 159,561 | 238,070 | 266,609 | 238,070 | 266,609 |
| <u>Expenditures by Category</u> | | | | | | | | |
| Grants, Aids and Subsidies | 150,725 | 160,459 | 189,705 | 159,561 | 238,070 | 266,609 | 238,070 | 266,609 |
| Total | 150,725 | 160,459 | 189,705 | 159,561 | 238,070 | 266,609 | 238,070 | 266,609 |

Minnesota Premium Security Plan

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimate FY23 | Forecast Base | | Governor's Recommendation | |
|--|----------------|----------------|----------------|------------------|----------------|----------------|------------------------------|----------------|
| | | | | | FY24 | FY25 | FY24 | FY25 |
| 2001 - Other Misc Special Revenue | | | | | | | | |
| Balance Forward In | 592,238 | 537,483 | 217,825 | 165,759 | 400,784 | 289,235 | 400,784 | 289,235 |
| Receipts | 10,473 | 1,737 | 859 | 3,384 | 5,041 | 4,420 | 5,041 | 4,420 |
| Transfers In | | | | 300,092 | | 229,465 | | 229,465 |
| Transfers Out | | 247,000 | 5,948 | | | | | |
| Balance Forward Out | 536,744 | 217,825 | 165,759 | 400,784 | 289,235 | 377,991 | 289,235 | 377,991 |
| Expenditures | 65,967 | 74,395 | 46,977 | 68,451 | 116,590 | 145,129 | 116,590 | 145,129 |
| Biennial Change in Expenditures | | | | (24,934) | | 146,291 | | 146,291 |
| Biennial % Change in Expenditures | | | | (18) | | 127 | | 127 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| 3000 - Federal | | | | | | | | |
| Receipts | 84,758 | 86,064 | 142,727 | 91,110 | 121,480 | 121,480 | 121,480 | 121,480 |
| Expenditures | 84,758 | 86,064 | 142,727 | 91,110 | 121,480 | 121,480 | 121,480 | 121,480 |
| Biennial Change in Expenditures | | | | 63,016 | | 9,123 | | 9,123 |
| Biennial % Change in Expenditures | | | | 37 | | 4 | | 4 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

Commerce

Federal Funds Summary

(Dollars in Thousands)

| Federal Agency and CFDA # | Federal Award Name and Brief Purpose | FY 2022 Actual | FY 2023 Budget | FY 2024 Base | FY 2025 Base | Required State Match or MOE? | FTEs |
|---------------------------|--|-------------------|-------------------|-------------------|-------------------|-------------------------------------|-------------|
| DOE CFDA 81.041 | State Energy Program - The State Energy Program (SEP) provides technical assistance, financial assistance, education and training, as well as data for energy efficiency and renewable energy. | \$ 1,398 | \$ 1,672 | \$ 1,672 | \$ 1,672 | Yes, 20% of the federal award total | 6.5 |
| DOE CFDA 81.042 | Weatherization Assistance for Low Income Persons - <i>The Weatherization Assistance Program (WAP) uses energy conservation techniques to reduce the cost of home energy for eligible low-income households.</i> | \$ 10,706 | \$ 12,272 | \$ 30,000 | \$ 30,000 | No | 8 |
| DOE CFDA 81.119 | State Energy Program Special Projects - <i>The State Energy Program Special Projects provides technical assistance, financial assistance, education and training, as well as data for energy efficiency and renewable energy.</i> | \$ 71 | \$ 1,000 | \$ 1,000 | \$ 1,000 | Match (various) | 1 |
| HHS-CFDA 93.568 | Low Income Energy Assistance Program - <i>The Low Income Energy Assistance Program helps pay for home heating costs and furnace repairs for income-qualified households.</i> | \$ 235,002 | \$ 139,424 | \$ 145,100 | \$ 145,000 | No | 20 |
| HHS CFDA 93.499 | Low Income Water Assistance Program - <i>The Low Income Water Assistance Program helps pay for home water costs for income-qualified households.</i> | \$ 5,986 | \$ 5,925 | \$ 2,756 | | No | 1 |
| | Program Total - Energy | \$ 253,163 | \$ 160,293 | \$ 180,528 | \$ 177,672 | | 36.5 |
| HHS CFDA 93.413 | State Flexibility to Stabilize the Market - <i>to enhance its internal and external checklists and standard operating procedures related to Sections 2702, 2703, and 2707 of the Affordable Care Act (Guaranteed Availability, Guaranteed Renewability, and Non-Discrimination in comprehensive health coverage).</i> | \$ - | \$ 361 | \$ 325 | \$ - | No | 1 |
| | Program Total - Insurance | \$ - | \$ 361 | \$ 325 | \$ - | | 1 |
| HHS CFDA 93.423 | Premium Security Plan (PSP) - <i>used to fund Minnesota's Premium Security Plan Program</i> | \$ 142,727 | \$ 91,110 | \$ 121,480 | \$ 121,480 | Yes | - |
| | Program Total - PSP | \$ 142,727 | \$ 91,110 | \$ 121,480 | \$ 121,480 | | - |
| ASC CFDA 38.006 | Appraisal Subcommittee Support Grant - <i>used to advance the appraiser regulatory field through support for programs and activities.</i> | \$ 10 | \$ 10 | \$ 4 | \$ - | No | - |
| | Program Total - Enforcement | \$ 10 | \$ 10 | \$ 4 | \$ - | | - |
| TBD | Elder Justice Grant | \$ - | \$ 38 | \$ 38 | | Yes | 1 |
| | Program Total - Administration | \$ - | \$ 38 | \$ 38 | \$ - | | 0.5 |
| | Federal Fund – Agency Total | \$ 395,900 | \$ 251,812 | \$ 302,375 | \$ 299,152 | | 38.0 |

Narrative

The Division of Energy Resources (DER) receives federal grants for three programs: Low Income Heating Assistance Program (EAP), Weatherization Assistance Program (WAP), and the State Energy Program (SEP).

- EAP provides energy assistance to low-income households.
- WAP enables income-qualified households to permanently reduce their energy bill by
- SEP promotes energy conservation, energy efficiency and renewable energy to all Minnesotans.

Historically, the federal funding in DER has accounted for 70-80% of the overall Department of Commerce budget with EAP being the single largest program. WAP is currently funded by a continuous formula grant at the federal level and current funding is has been approximately \$8-10M annually. Funding levels for SEP have remained relatively stable at the federal level however the program can be impacted by the US Department of Energy decisions on how much is allocated via formula and how much is set aside for competitive grants.

The Insurance Division manages a State Flexibility to Stabilize the Market grant program to enhance its internal and external checklists and standard operating procedures related to Sections 2702, 2703, and 2707 of the Affordable Care Act (Guaranteed Availability, Guaranteed Renewability, and Non-Discrimination in comprehensive health coverage). The Insurance Division will work with the Minnesota Department of Health to ensure best practices for the creation of internal and external checklists and standard operating procedures to ensure compliance with these provisions. In addition to the creation of new checklists and standard operating procedures, the Departments of Commerce and Health will consult externally with professionals (including pharmacists) to ensure compliance with non-discrimination of comprehensive health coverage, undertaking a review of health insurance carrier formularies.

The Minnesota Premium Security Plan is the state based reinsurance program which is designed to lower health insurance premiums for Minnesotans who purchase their own health insurance on the State's individual market. Minnesota received a Federal 1332 Waiver to operate the reinsurance. The State Appraiser Regulatory Agencies Support Grant is a grant from the Federal Appraisal Subcommittee to support regulatory agency activities. This grant serves two main purposes:

- Training investigators to become Certified Distance Education Instructors. Due to the pandemic, there is an increase in need for instructors to help appraisers and aspiring appraisers find the applicable Continuing Education classes to appraise properties in Minnesota.
- Continuation of staff training and education opportunities through the AARO conferences and other educational events.

The Elder Justice Innovation Grants program is intended to support foundational work to create credible innovations, with benchmarks for adult maltreatment prevention, and for program development and evaluation. The Elder Justice Innovation Grants program supports the development and advancement of knowledge and approaches in new and emerging issues related to elder justice. Funded projects will contribute to the improvement of the field of adult maltreatment prevention and intervention at large by undertaking initiatives such as developing programs, interventions, materials, etc., or by establishing and/or contributing to the evidence- base of knowledge.