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Minnesota Management and Budget

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

AT A GLANCE

- Approximately 360 employees (full-time equivalents) manage the financial and employee relations responsibilities of the state as well as strategic interagency coordination
- Coordinate the biennial budget process for more than 100 agencies, boards, commissions, and the legislative and judicial branches
- Produce budget and economic forecasts twice each year
- Manage \$8.5 billion in state public debt
- Process an average of 48,000 payments to state payees and vendors per week
- Process over 56,000 employee paychecks every two weeks
- Oversee and maintain human resources policy for more than 100 state agencies, boards, and commissions, while also providing recruitment, retention, talent management, classification, compensation, and training services
- Negotiate contracts with 12 state employee bargaining units
- The State Employee Group Insurance Program manages health benefits for over 131,000 employees, dependents, and retirees
- Oversee and coordinate the state's systems of internal controls and continuity of operations
- Launched a new internal audit unit to provide audit expertise and services to the enterprise
- Supported by approximately 74 Minnesota IT Services employees dedicated to MMB's technology portfolio
- Coordinate strategy and drive action on critical issues across state agencies with five interagency subcabinets and offices

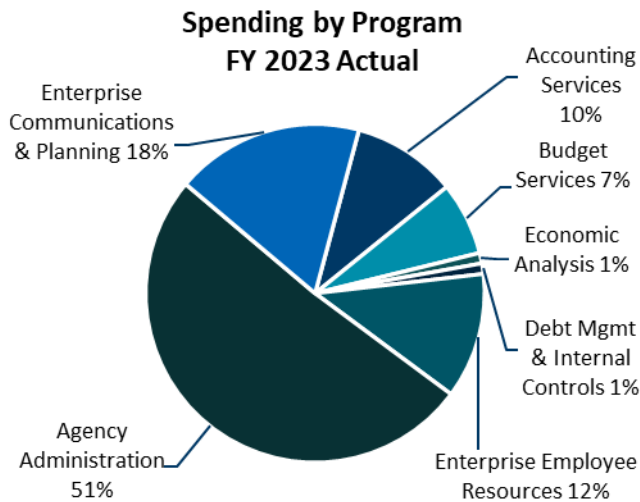
PURPOSE

Minnesota Management and Budget (MMB) is responsible for managing state finances, payroll, human resources, and employee insurance. We also provide systems for daily business operations, information access, and analysis. We plan and coordinate strategic statewide policy goals for the enterprise. We are a central service agency, serving the Legislature, more than 100 state government entities, Governor's Office, a workforce of 57,000 employees, and the public.

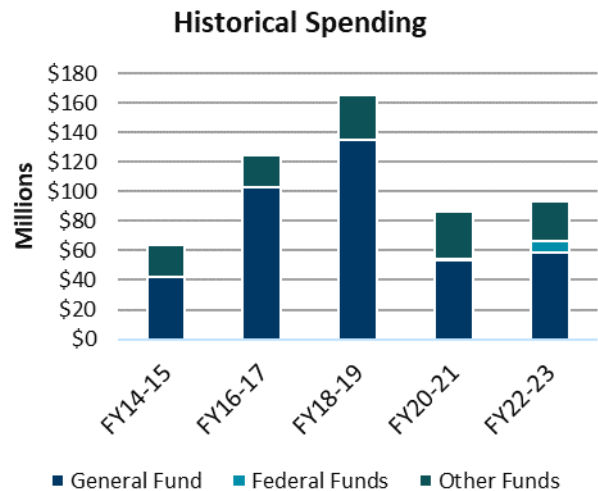
We are stewards of the state's financial and human resources, working together for the people of Minnesota. This mission is at the heart of the services we provide. Our vision is a high-performing and inclusive workforce partnering to deliver effective state services. To achieve our mission and vision, we are driven by the following priorities:

- Collaborative Enterprise Leadership – MMB provides collaborative enterprise leadership to continually improve state government services and outcomes.
- Centering Our Customers – MMB creates a human-centered customer experience by putting the needs of our key partners and community at the center of our services, policies, and oversight.
- Employer of Choice – Enterprise Employee Resources and the Office of the Chief Inclusion Officer work to reduce barriers to working for the state and improve employee engagement and experience. These efforts are leading to a more diverse workforce along with improved retention of underrepresented employee groups.
- Responsible and Transparent Management of the State's Fiscal Resources – MMB will uphold public trust by responsibly managing and directing the state's fiscal resources.

BUDGET



Source: Budget Planning & Analysis System (BPAS)



Source: Consolidated Fund Statement

The increase in FY16-17 and FY18-19 spending is the result of one-time funds appropriated to MMB to administer the Health Insurance Premium Subsidy Program, which was established effective fiscal year 2017 and ended in fiscal year 2018. Between fiscal years 2017 and 2018, expenditures for this program totaled \$138.1 million. Note that the costs associated with the operation of the State Employee Group Insurance Program (SEGIP) and the Public Employees Insurance Program (PEIP) are not reflected in these charts and graphs. Due to the size of the budget of the insurance programs, their costs are only reflected in their respective budget narratives.

MMB's operating budget is supported by a variety of funding sources. In FY 22-23, \$57.4 million in general fund expenditures sustained core agency activities in accounting, budgeting, results management, economic analysis, debt management, enterprise human capital, enterprise communications and planning, and agency administration. \$26.3 million was expended in other special revenue funds, with most expenditures occurring in the Statewide Systems Billing account, which helps fund accounting, human resources, and payroll IT systems that serve the state government enterprise. Additionally, \$25.1 million was spent in internal service funds by the Enterprise Talent Development (ETD) and Management Analysis and Development (MAD) units. These fee-for-service units provide consulting, management, professional development, and training services to their public sector customers.

While not reflected in this document, in FY22-23, SEGIP expenditures totaled \$2.215 billion and PEIP expenditures totaled \$625.27 million. These expenses are primarily driven by health insurance claims, but also include the programs' operating costs. SEGIP is funded by state agency and employee contributions in addition to participant contributions for PEIP.

STRATEGIES

As a central service agency with an enterprise focus, we achieve success by helping our partners meet their missions and goals.

Children and Families: We staff and manage the Minnesota's Children's Cabinet, an interagency partnership charged with taking a data-driven, results-oriented approach to create a state government centered on improving outcomes and aligning resources for all children, youth, and families. We also integrate this priority at MMB by centering state agency work on children and families whenever possible. This includes aligning enterprise fiscal decision-making and communication efforts on our shared vision for children and families.

Equity and Inclusion: Enterprise Employee Resources, including the Office of the Chief Inclusion Officer, is housed in MMB. We support a workforce of over 57,000 people. Equity and inclusion are fundamental to our work every day. We work to advance and align equity and inclusion across the enterprise, to incorporate this priority into human resources operating systems, policies, and procedures. This includes a focus on diversifying the state workforce to make the state of Minnesota an employer of choice.

Thriving Communities: Ensuring all communities thrive is at the heart of our collective work. We support this priority by raising funds helping communities access funding for needed capital investments across Minnesota. We also support this priority by assisting to prevent homelessness with the goal of ending it as a member of the state's interagency council. Finally, we leverage SEGIP's influence as a large provider of health insurance to help reduce health care costs while improving health outcomes.

Healthy Minnesotans: We staff and manage the Health Cabinet. We coordinate efforts across agencies to reform health care delivery and payment systems, foster sustainable health care spending, ensure access to comprehensive, high-quality health care and health care coverage, and reduce disparities including inequities in health care outcomes.

Fiscal Accountability and Measurable Results: We manage the state's finances and are the steward of state resources. Supporting fiscal accountability and measurable results is integral to what we do. We ensure public trust by responsibly managing state finances and maintaining or improving the state's credit ratings. This includes communicating the state's fiscal priorities and financial information in a way that is accessible and understandable. We conduct program evaluations and produce findings that are understood, trusted, and used to guide decision-making. We also integrate measurable results into work across MMB and the state enterprise.

Minnesota Statutes, Chapters 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) and 43A (<https://www.revisor.mn.gov/statutes/cite/43A>) provide the general legal authority for MMB.

Management and Budget

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	28,547	29,952	44,594	77,566	50,441	50,441	52,494	53,837
2000 - Restrict Misc Special Revenue	443	300	22	19	19	19	19	19
2001 - Other Misc Special Revenue	13,544	12,167	12,225	15,897	15,873	16,074	15,873	16,074
2005 - Opiate Epidemic Response	299	298	299	301	300	300	300	300
2403 - Gift	1	62	29	20				
3000 - Federal		934	83					
3010 - Coronavirus Relief	62							
3015 - ARP-State Fiscal Recovery	1,606	5,298	31	187				
4700 - Public Employees Insurance	348,463	286,011	246,132	332,200	332,208	332,215	332,208	332,215
4925 - Family and Medical Benefit Ins				118	45	45	45	45
5200 - Management Analysis	11,383	13,867	16,343	17,560	17,878	17,107	17,878	17,107
5600 - State Employees Insurance	1,090,677	1,125,782	1,230,897	1,324,943	1,407,131	1,490,574	1,407,131	1,490,574
6000 - Miscellaneous Agency	38,997	40,619	41,062	41,789	41,755	41,755	41,755	41,755
Total	1,534,023	1,515,290	1,591,716	1,810,600	1,865,650	1,948,530	1,867,703	1,951,926
Biennial Change				353,003		411,864		417,313
Biennial % Change				12		12		12
Governor's Change from Base								5,449
Governor's % Change from Base								0

Expenditures by Program

Statewide Services	55,910	62,875	73,615	111,668	84,556	83,986	86,609	87,382
Employee Insurance	1,478,113	1,452,416	1,518,101	1,698,932	1,781,094	1,864,544	1,781,094	1,864,544
Total	1,534,023	1,515,290	1,591,716	1,810,600	1,865,650	1,948,530	1,867,703	1,951,926

Expenditures by Category

Compensation	32,304	34,986	43,445	54,605	52,970	53,726	54,773	56,622
Operating Expenses	1,501,623	1,479,340	1,548,229	1,755,988	1,812,673	1,894,797	1,812,923	1,895,297
Grants, Aids and Subsidies	25	(3)	(8)					
Capital Outlay-Real Property		18						
Other Financial Transaction	71	950	50	7	7	7	7	7
Total	1,534,023	1,515,290	1,591,716	1,810,600	1,865,650	1,948,530	1,867,703	1,951,926

Management and Budget

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
Total Agency Expenditures	1,534,023	1,515,290	1,591,716	1,810,600	1,865,650	1,948,530	1,867,703	1,951,926
Internal Billing Expenditures	921	1,024	1,446	913	920	925	920	925
Expenditures Less Internal Billing	1,533,102	1,514,266	1,590,270	1,809,687	1,864,730	1,947,605	1,866,783	1,951,001

<u>Full-Time Equivalents</u>	267.40	291.35	318.37	396.54	389.38	389.38	400.38	400.38
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Management and Budget

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		1,721	70	24,970				
Direct Appropriation	29,319	30,210	70,057	61,161	50,506	50,506	52,559	53,902
Transfers In	677	6,074	7,178	3,090				
Transfers Out	733	7,602	7,742	3,155	65	65	65	65
Cancellations		382		8,500				
Balance Forward Out	716	70	24,969					
Expenditures	28,547	29,952	44,594	77,566	50,441	50,441	52,494	53,837
Biennial Change in Expenditures				63,661		(21,278)		(15,829)
Biennial % Change in Expenditures				109		(17)		(13)
Governor's Change from Base								5,449
Governor's % Change from Base								5
Full-Time Equivalents	149.10	160.83	191.58	248.86	242.82	242.82	253.82	253.82

2000 - Restrict Misc Special Revenue

Balance Forward In	13	9	5	2	2	2	2	2
Receipts	440	295	19	19	19	19	19	19
Balance Forward Out	9	5	2	2	2	2	2	2
Expenditures	443	300	22	19	19	19	19	19
Biennial Change in Expenditures				(702)		(3)		(3)
Biennial % Change in Expenditures				(95)		(7)		(7)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.58	0.75	0.01	0.01	0.01	0.01	0.01	0.01

2001 - Other Misc Special Revenue

Balance Forward In	4,988	3,679	4,883	6,314	4,492	3,156	4,492	3,156
Receipts	12,869	13,220	13,656	14,097	14,537	15,196	14,537	15,196
Transfers In		2						
Transfers Out			0	22				
Balance Forward Out	4,313	4,735	6,313	4,492	3,156	2,278	3,156	2,278
Expenditures	13,544	12,167	12,225	15,897	15,873	16,074	15,873	16,074
Biennial Change in Expenditures				2,411		3,825		3,825
Biennial % Change in Expenditures				9		14		14

Management and Budget

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	31.00	30.46	31.34	42.05	42.05	42.05	42.05	42.05

2005 - Opiate Epidemic Response

Balance Forward In		1		1				
Direct Appropriation	300	300	300	300	300	300	300	300
Cancellations		3						
Balance Forward Out	1		1					
Expenditures	299	298	299	301	300	300	300	300
Biennial Change in Expenditures				3		0		0
Biennial % Change in Expenditures				0		(0)		(0)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	3.09	4.02	2.82	2.75	2.75	2.75	2.75	2.75

2403 - Gift

Balance Forward In		74	110	147				
Receipts	75	73	65					
Transfers In		25						
Transfers Out				127				
Balance Forward Out	74	110	147					
Expenditures	1	62	29	20				
Biennial Change in Expenditures				(14)		(49)		(49)
Biennial % Change in Expenditures				(22)		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents		0.15	0.15					

3000 - Federal

Receipts	934	83		
Expenditures	934	83		
Biennial Change in Expenditures		(851)	(83)	(83)

Management and Budget

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents			0.10	0.10	0.10	0.10	0.10	0.10

3010 - Coronavirus Relief

Balance Forward In	93							
Cancellations	30							
Expenditures	62							
Biennial Change in Expenditures				(62)		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

3015 - ARP-State Fiscal Recovery

Balance Forward In		3,054						
Direct Appropriation	5,135	3,857	31	187	0	0	0	0
Cancellations	1,410	1,613	0					
Balance Forward Out	2,119							
Expenditures	1,606	5,298	31	187				
Biennial Change in Expenditures				(6,686)		(218)		(218)
Biennial % Change in Expenditures				(97)		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	3.00	2.40	0.02	1.02	0.02	0.02	0.02	0.02

4700 - Public Employees Insurance

Balance Forward In	95,180	80,848	85,266	92,621	92,621	92,613	92,621	92,613
Receipts	334,013	290,213	253,487	332,200	332,200	332,200	332,200	332,200
Balance Forward Out	80,729	85,050	92,621	92,621	92,613	92,598	92,613	92,598
Expenditures	348,463	286,011	246,132	332,200	332,208	332,215	332,208	332,215
Biennial Change in Expenditures				(56,143)		86,091		86,091
Biennial % Change in Expenditures				(9)		15		15

Management and Budget

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	1.81	1.66	1.60	1.90	1.90	1.90	1.90	1.90

4925 - Family and Medical Benefit Ins

Direct Appropriation			118		45	45	45	45
Expenditures			118		45	45	45	45
Biennial Change in Expenditures				118		(28)		(28)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents				0.45	0.33	0.33	0.33	0.33

5200 - Management Analysis

Balance Forward In	2,175	2,275	2,161	1,622	1,747	1,554	1,747	1,554
Receipts	11,333	13,589	15,803	17,685	17,685	17,685	17,685	17,685
Balance Forward Out	2,124	1,997	1,622	1,747	1,554	2,132	1,554	2,132
Expenditures	11,383	13,867	16,343	17,560	17,878	17,107	17,878	17,107
Biennial Change in Expenditures				8,653		1,082		1,082
Biennial % Change in Expenditures				34		3		3
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	34.06	41.46	41.92	43.00	43.00	43.00	43.00	43.00

5600 - State Employees Insurance

Balance Forward In	479,401	435,718	482,729	486,917	434,565	377,564	434,565	377,564
Receipts	1,046,336	1,172,239	1,235,084	1,272,591	1,350,130	1,444,218	1,350,130	1,444,218
Transfers In	14,939	16,641	29,590	1,400	1,441	1,561	1,441	1,561
Transfers Out	14,995	16,703	29,590	1,400	1,441	1,561	1,441	1,561
Balance Forward Out	435,004	482,112	486,915	434,565	377,564	331,208	377,564	331,208
Expenditures	1,090,677	1,125,782	1,230,897	1,324,943	1,407,131	1,490,574	1,407,131	1,490,574
Biennial Change in Expenditures				339,380		341,865		341,865
Biennial % Change in Expenditures				15		13		13

Management and Budget

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	44.76	49.62	48.83	56.40	56.40	56.40	56.40	56.40

6000 - Miscellaneous Agency

Balance Forward In	9,819	10,488	8,587	9,939	9,905	9,905	9,905	9,905
Receipts	39,666	38,718	42,415	41,755	41,755	41,755	41,755	41,755
Balance Forward Out	10,488	8,587	9,940	9,905	9,905	9,905	9,905	9,905
Expenditures	38,997	40,619	41,062	41,789	41,755	41,755	41,755	41,755
Biennial Change in Expenditures				3,235		659		659
Biennial % Change in Expenditures				4		1		1
Governor's Change from Base								0
Governor's % Change from Base								0

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Direct				
Fund: 1000 - General				
FY2025 Appropriations	63,006	63,006	63,006	126,012
Base Adjustments				
Current Law Base Change		(12,409)	(12,409)	(24,818)
Approved Transfer Between Appropriation	0			
Allocated Reduction	(145)	(145)	(145)	(290)
Minnesota Paid Leave Allocation		54	54	108
Forecast Base	62,861	50,506	50,506	101,012
Change Items				
Operating Adjustment		891	1,806	2,697
Enhanced Oversight Capacity		1,162	1,590	2,752
Cancel Unused Data Disaggregation Project Funding	(1,700)			
Total Governor's Recommendations	61,161	52,559	53,902	106,461
Fund: 2005 - Opiate Epidemic Response				
FY2025 Appropriations	300	300	300	600
Forecast Base	300	300	300	600
Total Governor's Recommendations	300	300	300	600
Fund: 3015 - ARP-State Fiscal Recovery				
FY2025 Appropriations	187	187	187	374
Base Adjustments				
All Other One-Time Appropriations		(187)	(187)	(374)
Forecast Base	187			
Total Governor's Recommendations	187			
Fund: 4925 - Family and Medical Benefit Ins				
FY2025 Appropriations	118	118	118	236
Base Adjustments				
Current Law Base Change		(73)	(73)	(146)
Forecast Base	118	45	45	90
Total Governor's Recommendations	118	45	45	90
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	19	19	19	38
Forecast Base	19	19	19	38
Total Governor's Recommendations	19	19	19	38

Management and Budget

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	15,897	15,873	16,074	31,947
Forecast Base	15,897	15,873	16,074	31,947
Total Governor's Recommendations	15,897	15,873	16,074	31,947
Fund: 2403 - Gift				
Planned Spending	20			
Forecast Base	20			
Total Governor's Recommendations	20			
Fund: 4700 - Public Employees Insurance				
Planned Spending	332,200	332,208	332,215	664,423
Forecast Base	332,200	332,208	332,215	664,423
Total Governor's Recommendations	332,200	332,208	332,215	664,423
Fund: 5200 - Management Analysis				
Planned Spending	17,560	17,878	17,107	34,985
Forecast Base	17,560	17,878	17,107	34,985
Total Governor's Recommendations	17,560	17,878	17,107	34,985
Fund: 5600 - State Employees Insurance				
Planned Spending	1,324,943	1,407,131	1,490,574	2,897,705
Forecast Base	1,324,943	1,407,131	1,490,574	2,897,705
Total Governor's Recommendations	1,324,943	1,407,131	1,490,574	2,897,705
Fund: 6000 - Miscellaneous Agency				
Planned Spending	41,789	41,755	41,755	83,510
Forecast Base	41,789	41,755	41,755	83,510
Total Governor's Recommendations	41,789	41,755	41,755	83,510
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	19	19	19	38
Total Governor's Recommendations	19	19	19	38
Fund: 2001 - Other Misc Special Revenue				
Forecast Revenues	14,097	14,537	15,196	29,733
Total Governor's Recommendations	14,097	14,537	15,196	29,733

Management and Budget

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Fund: 4700 - Public Employees Insurance				
Forecast Revenues	332,200	332,200	332,200	664,400
Total Governor's Recommendations	332,200	332,200	332,200	664,400
Fund: 5200 - Management Analysis				
Forecast Revenues	17,685	17,685	17,685	35,370
Total Governor's Recommendations	17,685	17,685	17,685	35,370
Fund: 5600 - State Employees Insurance				
Forecast Revenues	1,272,591	1,350,130	1,444,218	2,794,348
Total Governor's Recommendations	1,272,591	1,350,130	1,444,218	2,794,348
Fund: 6000 - Miscellaneous Agency				
Forecast Revenues	41,755	41,755	41,755	83,510
Total Governor's Recommendations	41,755	41,755	41,755	83,510

Minnesota Management and Budget

FY 2026-27 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	891	1,806	1,806	1,806
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	891	1,806	1,806	1,806
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of \$891,000 in FY 2026 and \$1.806 million in each subsequent year from the general fund to help address operating cost increases at Minnesota Management and Budget (MMB).

Rationale/Background:

The cost of operations rises each year due to increases in employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related costs. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat year to year.

Agencies face challenging decisions to manage these rising costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. For MMB, the following efficiencies have been implemented to help offset rising operating costs:

- MMB has reduced its footprint in the Centennial Office Building by approximately 45% since FY 2022 which helped avoid approximately \$1.0 million per biennium in our 2023 session operating adjustment request.
- MMB has improved the automation of agency and statewide processes to avoid costs, enhance security, and reduce manual staff effort. This has included projects related to state payee registration, processing of state warrants, reconciliation of major bank accounts, file upload processes, and leveraging business intelligence tools to support data driven decisions.
- MMB has overhauled its new employee onboarding process to improve the experience for new employees. This improved experience for new employees intends to improve employee retention and avoid associated costs and disruptions from turnover.

For FY 2026-27, agencies will need to continue to find additional efficiencies and leverage management tools to help address budget pressures. Holding open vacancies in certain programs or delaying hiring in other programs are examples of ways agencies manage through constrained operating budgets. Such decisions are difficult and must be weighed against a program's ability to conduct business with less staffing and its impact to service delivery. Agencies will need additional tools and flexibility, similar to those available in the private sector and other government entities, to help address operating pressures in upcoming biennium.

Without additional resources to address these cost pressures, both in funding and in flexibility to manage internal budgets, services delivered to Minnesotans will be impacted.

Proposal:

The Governor recommends increasing agency operating budgets to support current services. For MMB, this funding will help cover expected growth in employee compensation and insurance, IT services, and other operating costs.

Additionally, the Governor recommends providing MMB with additional management tools to address upcoming operating pressures. This includes the ability for executive branch agencies to carryforward unexpended non-grant operating appropriations for the second year of a biennium into the next beginning in FY 2025 (costs carried in standalone change item in MMB Non-Operating Budget Book). These new authorities will provide agencies with additional flexibility to manage through cost pressures within agency divisions and prioritize needs to help minimize impacts on services to Minnesotans.

Dollars in Thousands

Net Impact by Fund	FY 26	FY 27	FY 26-27	FY 28	FY 29	FY 28-29
General Fund	891	1,806	2,697	1,806	1,806	3,612
Total All Funds	891	1,806	2,697	1,806	1,806	3,612

Fund	Component Description	FY 26	FY 27	FY 26-27	FY 28	FY 29	FY 28-29
GF	Operating Costs	891	1,806	2,697	1,806	1,806	3,612

Results:

This recommendation is intended to help MMB address rising cost pressures and mitigate impacts to current levels of service and information to the public.

Minnesota Management and Budget

FY 2026-27 Biennial Budget Change Item

Change Item Title: Enhanced Oversight Capacity

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	1,162	1,590	1,590	1,590
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,162	1,590	1,590	1,590
FTEs	8.25	11	11	11

Recommendation:

The Governor recommends additional funding of \$1.162 million in FY 2026 and \$1.590 million in each subsequent year from the general fund to provide critical additional financial and human resources oversight capacity. This request aims to properly resource MMB to meet the public's expectations for our oversight responsibilities related to state finances and the state workforce. This proposal funds 11 FTE on an ongoing basis for internal controls, payroll oversight, human resources oversight, and financial policy maintenance and implementation.

Rationale/Background:

Minnesotans expect robust oversight of their state government and the expenditure of public funds. MMB has identified several investments needed to meet the expectations of our various oversight activities. With the addition and expansion of programs across state government in recent years, our partner agencies need additional assistance and resources from MMB to ensure these programs operate effectively and have adequate controls built into them.

MMB's oversight responsibilities related to the state workforce have become increasingly complex, and the demand has continued to grow. MMB is frequently called upon to implement and interpret employment law, policy, and procedure. Changes to employment law and the creation of complex benefit programs such as Paid Leave (PFML) that will need to interact seamlessly with bargained leave benefits, mean that MMB will require additional resources to ensure compliance with law and collective bargaining agreements.

Agencies rely on MMB's Enterprise Employee Resources team for guidance on the implementation and interpretation of collective bargaining agreements, including complex retroactive pay adjustments, as noted in the Office of the Legislative Auditor report on the Minnesota Law Enforcement Association labor contract retroactive pay adjustments. Additional staff resources will help ensure agencies implement range reassignments and pay differentials correctly.

Payroll administration has also become more complex at a time when state agency payroll departments have experienced increased payroll processing demands and more employee turnover. The recent Office of the Legislative Auditor report on the Minnesota Law Enforcement Association labor contract retroactive pay adjustments documents some of the challenges state agencies face processing payroll transactions and the importance of accurate and timely paychecks. MMB's Statewide Payroll Services Section seeks to increase its oversight capacity to better train state agency payroll staff and conduct compliance reviews of their payroll transactions.

When the Legislature establishes new programs, state agencies often need additional support from MMB's Accounting Services Division. We work with our agency partners to set up new bank accounts and banking services, manage new appropriations in the accounting system, assist with financial transactions, and process additional payments to state vendors and payees. We also respond to increased inquiries from recipients of state payments who have questions or concerns about their payments, and we are required to file additional state and federal tax forms and reports for these payments. The division's capacity to provide the accounting and treasury functions for the state enterprise has not grown commensurate with the increase in demands. This has resulted in less capacity to adequately support our agency partners and keep up with other key responsibilities, such as developing, communicating, and updating a substantial number of statewide accounting and payroll policies and procedures.

Proposal:

The Governor recommends the following changes to strengthen financial and human resources oversight capacity.

Enhanced Internal Controls Capacity

- MMB requests three FTE in the Internal Control and Accountability Unit to increase consultation services to the enterprise.
- With the additional employees, the unit will be able to assist more agencies in conducting their agency risk assessment and risk mitigation projects.
- The added positions will help us provide additional training and education, and work with agencies to improve their internal controls.

Improved Payroll Oversight

- MMB requests four FTE in the Statewide Payroll Services Section to establish a new, ongoing certification and compliance program.
- The employees will establish and oversee a certification program for state agency payroll staff to ensure the employees completing their agency's payroll transactions have adequate training on payroll regulations, collective bargaining agreement requirements, and the SEMA4 human resources, payroll, and benefits system.
- The new staff will also conduct regular, ongoing compliance reviews of state agency payroll transactions to ensure employees are paid accurately, errors are fixed quickly, and reoccurring issues are addressed with the relevant agencies.

Additional Human Resources Oversight

- MMB requests two FTE in Enterprise Labor Relations to provide additional oversight and compliance on implementation of collective bargaining agreements.
- As the number of bargaining units and volume of state labor relations work has increased, these additional staff will aid in the review of timely and accurate implementation of collective bargaining agreements.

Consistent Financial Policy Maintenance and Implementation

- MMB requests two FTE in the Accounting Services Division to provide more consistent support of and oversight over the state's financial management functions.
- The additional staffing capacity will allow the division to better support agency needs and evaluate the effectiveness of policies.

Dollars in Thousands

Net Impact by Fund	FY 26	FY 27	FY 26-27	FY 28	FY 29	FY 28-29
General Fund	1,162	1,590	2,752	1,590	1,590	3,180
Total All Funds	1,162	1,590	2,752	1,590	1,590	3,180

Fund	Component Description	FY 26	FY 27	FY 26-27	FY 28	FY 29	FY 28-29
GF	Internal Control Capacity	317	434	751	434	434	868
GF	Payroll Oversight	423	578	1,001	578	578	1,156
GF	Human Resources Oversight	211	289	500	289	289	578
GF	Accounting Oversight	211	289	500	289	289	578

Impact on Children and Families:

While this proposal does not directly impact children or families, it will help MMB meet oversight expectations for state efforts to support children and families.

Equity and Inclusion:

This proposal is not intended to address inequities or inclusion.

Tribal Consultation:

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

☐ Yes
☒ No

Results:

The primary goal of this change item is to ensure effective financial and workforce process controls in centralized state functions. This will be achieved by better supporting state agencies in meeting their compliance requirements, ensuring they have the expert guidance they need to succeed, and strengthening capacity for delegation audits.

Measure	Measure type	Measure data source	Most recent data	Projected change
Number of Risk Mitigation Projects facilitated for other agencies by MMB	Result – agencies reduce risk in critical business processes	Number of Risk Mitigation Projects facilitated for other agencies by MMB	1 completed last year	Complete 5-6 risk mitigation projects annually
Percentage of state agency payroll transactions subject to compliance review containing no errors.	Quality/result (state employees receive accurate paychecks)	Transactions from SEMA4 HR, payroll, and benefits system and calculations conducted by MMB Statewide Payroll Services compliance officers.	N/A	Improvement over baseline after payroll certification and compliance program is established.

Part B: Use of Evidence

1. Have you previously conducted a formal quantitative or qualitative program evaluation that informed the contents of this proposal? No.
2. Are you planning to conduct a formal qualitative or quantitative program evaluation related to this proposal? Indicate what kind(s) of evaluation you will be conducting. Select all that apply.

- ☒ No formal evaluation planned at this time
- ☐ Not yet determined
- ☐ Needs Assessment
- ☐ Process or Implementation Evaluation
- ☐ Summative Impact Evaluation (Randomized Control Trial (RCT) or Quasi-Experimental Design)
- ☐ Summative Evaluation other than an Impact Evaluation
- ☐ Other (please describe or link):

Part C: Evidence-Based Practices

This proposal is for operational improvements which cannot be studied through a randomized control trial or quasi-experimental design study.

Statutory Change(s):

This proposal does not require statutory changes.

Minnesota Management and Budget

FY 2026-27 Biennial Budget Change Item

Change Item Title: Department of Children, Youth, and Families Transition Account Reallocation

Fiscal Impact (\$000s)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Expenditures - MMB	(8,500)	0	0	0	0
Expenditures - DCYF	0	4,080			
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(8,500)	4,080	0	0	0
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends canceling and reappropriating \$6 million in the Department of Children Youth and Families Transition Account, currently at Minnesota Management and Budget, making these funds available through the FY2026-27 biennium. The new appropriation would be to the Department of Children, Youth, and Families (DCYF) in order to fund one-time needs associated with the transition, including costs associated with moving the agency, IT systems migration and a risk assessment for the new agency. The Governor also recommends canceling \$2.5 million from the DCYF Transition Account in FY 2025. The Implementation Office at MMB and the leadership of the Children’s Cabinet have been overseeing and coordinating the transfer of programs and associated finances and administrative operational functions from current state agencies to the new DCYF, as well as the transition account and associated expenses.

Rationale/Background:

In July 2024 the new Department of Children, Youth, and Families was established with a commissioner in place and programs and staff from the Children and Family Services Division at DHS and Early Learning Services Division at MDE transferred to the new agency. An implementation office at MMB was created to support the transition starting from July 2023 to June 30, 2025. As part of legislation establishing the new agency, \$11,931,000 in FY 2024 and \$2,066,000 in FY 2025 (Laws of Minnesota 2023, chapter 70, article 20, section 12(b)) were appropriated to MMB to establish the Department of Children, Youth, and Families. This included \$10 million appropriated to MMB for a transition account to fund the dedicated capacity to successfully transition and support the new agency in the transfer of programs and costs associated with one-time set-up of systems, analysis, engagement, and implementation processes. These funds are set to expire on June 30, 2025.

This proposal extends the availability of \$6 million of the remaining balance of these funds and cancels \$2.5 million of the balance in FY 2025. Additionally, this would appropriate the remaining funding to DCYF instead of MMB.

The funds will be used for moving-related expenses, wrap-up activities by the Implementation Office through the first quarter of FY26, a structured risk assessment, and expenses to transition IT and data infrastructure for operational functions. For example, we will use it to implement a grants management system that supports program integrity efforts and unifies our grant management operations for grantees.

Proposal:

The Governor recommends extending the availability of \$6 million remaining of these funds to be available through the 2026-27 biennium to be used for DCYF moving-related expenses, final transition activities at MMB, transition of IT and data infrastructure and a risk assessment.

The original appropriation was provided to support transition-related costs for the new Department of Children, Youth, and Families. These transition costs included moving-related expenses for the new agency. However, through the end of fiscal year 2026, DCYF is subleasing office space on floors three and four of the 444 Lafayette Rd N building, which DHS leases from a private landlord. The DHS lease of the 444 Lafayette building will end on June 30, 2026. This arrangement was a more efficient use of resources for both agencies, but delayed expenses that will be incurred by DCYF associated with moving to a new space and ensuring it aligns with the agency's needs. For example, since DCYF staff handle Federal Tax Information, there are some specialized physical and IT security standards required by the Social Security Administration that may need to be custom built. DCYF will need to pay for those customizations in a new space while it continues paying for the current space. DCYF has been overseeing a process, in collaboration with the Implementation Office and the Real Estate and Construction Services team at the Department of Administration, to identify a permanent office space. Identifying a permanent office space has been a visible component of the transition and these resources will help ensure it is executed smoothly.

In addition, the Implementation Office was only funded through June 30, 2025. Although all remaining DCYF programs will transition before that date, the Implementation Office will need to continue to support transition activities through at least the first quarter of FY 2026.

Dollars in Thousands

Net Impact by Fund	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
General Fund	(8,500)	4,080	0	(4,420)	0	0	0
Total All Funds	(8,500)	4,080	0	(4,420)	0	0	0

Fund	Component Description	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
GF	Transition Account Cancel	(8,500)	0	0	(8,500)	0	0	0
GF	Appropriation at DCYF	0	6,000	0	6,000	0	0	0
GF	DCYF FFP @ 32%	0	(1,920)	0	(1,920)	0	0	0

Impact on Children and Families:

The draft mission of DCYF is to advance equitable outcomes for children, youth, and families through transformative, partnership-driven policies, programs and practices. The agency aims to do this by prioritizing children and youth in state government, and by providing coordinated, whole -family -focused services that improve the lives of children and families through efficient, effective governance. This provides an opportunity to better prioritize children in our state government systems, especially our children who face barriers to opportunities and access to services, focused on culturally relevant services, including children of color and indigenous children, lower income children and children in rural areas.

This proposal contributes to this mission by continuing to ensure a smooth transition process, in particular for moving the physical office space to a space that meets the needs of the agency and its employees.

Equity and Inclusion:

This proposal supports the administrative functions of DCYF, so it is not independently contributing to supporting equity and inclusion of Minnesota communities; however, ensuring the DCYF transition happens smoothly is central to fulfilling the agency's mission and vision that are centered on equity and inclusion.

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:

N/A

Statutory Change(s):

Laws of Minnesota 2023, chapter 70, article 20, section 12

Minnesota Management and Budget

FY 2026-27 Biennial Budget Change Item

Change Item Title: Cancel Unused Data Disaggregation Project Funding

Fiscal Impact (\$000s)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Expenditures	(1,700)	0	0	0	0
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(1,700)	0	0	0	0
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends reducing funding to support interagency collaboration to develop data collections standards for race, ethnicity, gender identity, and disability status and develop a roadmap and timeline for implementation of data standards across state government. This results in a one-time reduction of \$1.7 million in FY 2025, leaving \$2.784 million from the original appropriation. This reduction is intended to produce savings to the general fund while continuing to give agencies the opportunity to leverage remaining funds to implement new data standards.

Rationale/Background:

MMB received funding of \$2.5 million in both FY 2024 and FY 2025 to assist state agencies with data standards work across the enterprise by: (1) developing minimum standards for the collection of race, ethnicity, gender identity, and disability status; (2) identifying agencies' current demographic data collection practices; (3) identifying barriers and challenges associated with data collection; and (4) planning for the implementation of agreed upon standards. Developing a statewide disaggregated data standard is a critical task in advancing the state's efforts to improve the quality and usefulness of state data, particularly as the state works to address disparities in outcomes across the enterprise. Having standardized high-quality data about specific groups will allow the state to share data across programs more easily, identify communities experiencing disparate impacts, and monitor progress. This standard will increase transparency about how and why we collect certain kinds of data and increase the public's understanding and trust in data provided by the state. Work has commenced on developing an enterprise standard including hiring a dedicated staff member to work full time on this topic and a part-time staff member at Minnesota Department of Health to support community engagement. Additional work to-date includes creation and convening of an interagency work group, current state assessments, a national scan of practices, development of an inventory, and a request for pilot projects by individual agencies.

Proposal:

The Governor recommends reducing the funding appropriated to support data disaggregation standard work across the enterprise while leaving significant resources available to complete this important work. Remaining resources will be used to further collect state agencies' current practices, work directly with diverse community representatives, develop disaggregation standards and practices, and implement strategies and roadmaps that will allow agencies to update their practices to best target and support diverse populations. Data disaggregation continues as a priority for MMB as it improves our understanding and provides context for Minnesotans' experiences and the agencies' responsiveness to the needs of communities across the state. This includes directing funds to pilot and prototype agency projects that advance enterprise knowledge and understanding of disaggregation systems and practices. This proposal reduces the total funding available to agencies to 5-8 projects.

Dollars in Thousands

Net Impact by Fund	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
General Fund	(1,700)	0	0	(1,700)	0	0	0
Total All Funds	(1,700)	0	0	(1,700)	0	0	0

Fund	Component Description	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
GF	Unused disaggregation funding	(1,700)	0	0	(1,700)	0	0	0

Impact on Children and Families:

Data disaggregation improves our understanding and provides context for Minnesotans' experiences and our responsiveness to the needs of children, families, and communities. Disaggregating data by race, ethnicity, gender identity and disability status helps identify and refine our understanding of children and their unique needs, identifying who is falling behind and preventing shortfalls toward the One Minnesota goal of making Minnesota the best place for children. It helps identify strengths and areas for improvement, ensures Minnesota's children and families receive quality, equitable, and outcome-driven government services, and enables better resource allocation decision-making to improve children's and families' lives. By disaggregating data and considering systemic and structural factors that explain differences, we can move beyond population averages to unpack the particular experiences of historically marginalized and under-resourced children and families. Remaining resources under this proposal will afford the continued opportunity to close the gap in equitable and inclusive state data practices and better understand the lived experiences of those who continue to face inequities and biases by aligning Minnesota state enterprise's collection, analysis, and dissemination of disaggregated data.

Equity and Inclusion:

Collecting and reporting disaggregated racial, ethnic, gender identity and disability data is an important, practical step toward building a more diverse, equitable, and inclusive society. This proposal leaves substantial remaining resources to advance enterprise practices that provide individuals the opportunity to select a more specific, self-identified racial or ethnic identity, and to self-identify their gender identity and their disability status. This would promote a culture of inclusion and counters the sense of invisibility that many communities feel about current representation in state data reporting. It serves as an acknowledgment of a small community in the larger fabric of demographic categories.

Tribal Consultation:

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

☐ Yes
☒ No

Results:

The intended result of this proposal is to produce savings to the general fund.

Program: Statewide Services**Activity: Accounting Services**<https://mn.gov/mmb/accounting/>**AT A GLANCE**

- Supports state operations in the areas of accounting, financial reporting, payroll, and treasury
- Provides functional support of two statewide enterprise resource planning systems: Statewide Integrated Financial Tools (SWIFT) and the Statewide Employee Management System (SEMA4)
- Resolves accounting, banking, and payroll issues and establishes statewide financial policies
- Over 56,000 employees paid on a biweekly basis during fiscal year 2024
- Over 2.5 million payments made to state payees and vendors during fiscal year 2024
- Over 7,800 users of the SWIFT and SEMA4 systems and approximately 122,000 users of the Self-Service system as of July 2024

PURPOSE AND CONTEXT

Accounting Services is the foundation that supports the state's financial management operations. They provide the required infrastructure for efficient and effective accounting, banking, payroll, and other financial services that are conducted throughout the state. The primary customers are state agencies, state employees, and the individuals and organizations that do business with or receive payments from the state. Accounting Services consists of four sections: Banking Services, Statewide Accounting, Statewide Payroll Services, and SWIFT System Support.

Accounting Services support fiscal accountability and measurable results by responsibly managing and reporting on state finances. They indirectly support the other priorities by managing systems and processes that enable other state agencies to achieve their results.

SERVICES PROVIDED

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

RESULTS

Measure Name	Measure Type	Measure Data Source	Historical Trend	Most Recent Data
Achieve Certificate of Excellence in Financial Reporting and unqualified audit opinion for the Annual Comprehensive Financial Report	Results	Government Finance Officers Association	These measures have consistently been achieved.	Both met, 2022 and 2023
State agency payments issued within 30 days	Quality	SWIFT state accounting and procurement system	Payments issued within 30 days have slightly declined year over year.	98.46%, 98.05% 2023, 2024
Payments issued electronically	Quality	Account analysis statements for state bank accounts	The rate of payments issued electronically has increased in recent years.	91.13%, 92.04% 2022, 2024
Employee timesheets processed electronically	Quality	SEMA4 state human resources and payroll system	The rate of employee timesheets processed electronically has increased in recent years.	97.16%, 97.62% 2023, 2024

Minnesota Statutes, Chapter 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) provides the legal authority for MMB's Accounting Services activities.

Accounting Services

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	6,918	7,249	8,037	8,920	8,831	9,016	9,637	10,233
4925 - Family and Medical Benefit Ins				118	45	45	45	45
Total	6,918	7,249	8,037	9,038	8,876	9,061	9,682	10,278
Biennial Change				2,908		862		2,885
Biennial % Change				21		5		17
Governor's Change from Base								2,023
Governor's % Change from Base								11
<u>Expenditures by Category</u>								
Compensation	5,684	6,210	6,824	7,627	7,512	7,697	8,318	8,914
Operating Expenses	1,234	1,039	1,213	1,411	1,364	1,364	1,364	1,364
Other Financial Transaction			0					
Total	6,918	7,249	8,037	9,038	8,876	9,061	9,682	10,278
<u>Full-Time Equivalents</u>								
	49.05	53.87	53.33	58.45	58.33	58.33	64.33	64.33

Accounting Services

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		18		265				
Direct Appropriation	6,581	6,581	7,897	8,264	8,831	9,016	9,637	10,233
Transfers In	338	1,148	1,015	691				
Transfers Out		498	609	300				
Balance Forward Out	0		265					
Expenditures	6,918	7,249	8,037	8,920	8,831	9,016	9,637	10,233
Biennial Change in Expenditures				2,790		890		2,913
Biennial % Change in Expenditures				20		5		17
Governor's Change from Base								2,023
Governor's % Change from Base								11
Full-Time Equivalents	49.05	53.87	53.33	58.00	58.00	58.00	64.00	64.00

4925 - Family and Medical Benefit Ins

Direct Appropriation			118		45	45	45	45
Expenditures			118		45	45	45	45
Biennial Change in Expenditures			118			(28)		(28)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			0.45		0.33	0.33	0.33	0.33

Program: Statewide Services**Activity: Budget Services**<https://mn.gov/mmb/budget/>**AT A GLANCE**

- Provide budget assistance, guidance, instructions, monitoring, implementation, and oversight to more than 100 agencies for the state's \$131 billion biennial budget
- Develop and present to the Legislature the Governor's operating and capital budget recommendations
- Annually release February and November budget and economic forecasts
- Conduct research on the effectiveness and impact of state programs to promote the well-being of residents
- Facilitate use of data and information in decision-making and program management
- Coordinate state efforts to maximize funding received under recent federal legislation

PURPOSE AND CONTEXT

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

SERVICES PROVIDED

- Create objective, relevant, and accessible information for decision-makers, such as the budget and economic forecasts, the Governor's operating and capital budget recommendations, the general fund balance analysis, reports on the evidence of effectiveness of government-funded programs, and the consolidated fund statement.
- Articulate fiscal policy issues of statewide importance through services and products such as rating agency presentations, budget decision-support, and statewide cash flow analysis.
- Increase access to budget and fiscal policy information through the provision of statewide guidance along with the development and maintenance of the Budget Planning & Analysis and Capital Budget Systems.
- Provide leadership and support for informed policymaking and results management. This is done through identification and use of qualitative and quantitative evidence, strategic performance management, impact evaluation, and ad hoc analysis.

RESULTS

Budget Services Team

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Satisfaction	Quality	Percentage of survey respondents indicating overall satisfaction with the budget systems (Budget Planning & Analysis System – BPAS, Appropriation Maintenance Application – AMA, Capital Budget System – CBS)	Recent survey responses indicate a consistent level of customer satisfaction across budget systems. Between 2017 and 2019, BPAS and CBS were enhanced to provide better user experience which corresponded to increased satisfaction with those systems (BPAS increased 16 percentage points and CBS increased 5 percentage points).	<u>2021 data</u> BPAS – 94% AMA – 93% CBS – 97% 2024 survey results are pending and not available in time for publication.
Website Views	Quantity	Number of webpage views to the Division's Enacted Budget website.	This is a new performance measure tracked by the Division starting in August 2023 with the publication of the FY 2024-25 Enacted Budget.	1,779 website visits and 920 unique visitors in 2023. 1,515 website visits and 763 unique visitors in first 7 months of 2024.
Project Review	Quantity	Number of capital programs submitted to MMB and analyze by staff.	Since 2017, the number of capital projects submitted and reviewed by staff increased 64 percent or 182 projects.	466 projects were submitted for review in 2024

Results Management Team

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Qualitative Submissions	Quantity	Number of qualitative submissions collected from people in MN	This is a new performance measure tracked by the Division starting in 2024.	1,078 qualitative submissions were collected in 2024
Meetings Held	Quantity	Number of performance meetings held with agencies	This is a new performance measure tracked in 2023. Since that period, the number of meetings held with agencies nearly doubled in one year.	40 performance meetings were held in 2024.
Evaluations	Quantity	Number of program evaluations completed and published	This is a new performance measure tracked since 2023. Since that period, the number of evaluations increased 60%, totaling 8 evaluations last year.	8 evaluations completed and published in 2024
Grant Consultation	Quantity	Number of grant consultations completed	This is a new performance measure tracked by the Division	20 consultations completed in 2024
Use of Results Information	Quality	Proportion of policy maker survey respondents who indicate Results' information is useful in their decision making	This performance measure is tracked through an annual survey. The 2023 survey was modified, and prior years are not considered comparable.	63% of survey respondents find Results' information useful to their decision making

Federal Funds Implementation Team

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Federal Funds Awarded	Quantity	Amount of federal funding awarded to Minnesota entities under the Infrastructure Investment Act, Inflation Reduction Act, and the CHIPS and Science Act, as registered on the Division's Federal Investment website	This is a new performance measure started with creation of the Federal Funds Implementation Team. Over the past three years, Minnesota received \$2.8B, on average each year, in federal awards under these three congressional acts.	\$2.7B was awarded in 2024

Minnesota Statutes, Chapters 3 (<https://www.revisor.mn.gov/statutes/?id=3>) and 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) provide the legal authority for MMB's Budget Services activities

Budget Services

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	4,341	4,705	6,025	11,085	7,969	8,362	8,124	8,678
2001 - Other Misc Special Revenue			25	212				
2005 - Opiate Epidemic Response	299	298	299	301	300	300	300	300
3000 - Federal			28					
Total	4,640	5,004	6,377	11,598	8,269	8,662	8,424	8,978
Biennial Change				8,332		(1,044)		(573)
Biennial % Change				86		(6)		(3)
Governor's Change from Base								471
Governor's % Change from Base								3

Expenditures by Category

Compensation	4,422	4,718	6,085	8,428	7,919	8,336	8,074	8,652
Operating Expenses	219	271	275	3,170	350	326	350	326
Grants, Aids and Subsidies			2					
Other Financial Transaction		15	16					
Total	4,640	5,004	6,377	11,598	8,269	8,662	8,424	8,978

Total Agency Expenditures	4,640	5,004	6,377	11,598	8,269	8,662	8,424	8,978
Internal Billing Expenditures	16	17	25	21	12	1	12	1
Expenditures Less Internal Billing	4,624	4,987	6,353	11,577	8,257	8,661	8,412	8,977

Full-Time Equivalents

	35.81	39.51	44.61	57.80	56.55	56.55	56.55	56.55
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Budget Services

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		20		2,692				
Direct Appropriation	4,160	4,560	10,772	9,388	7,969	8,362	8,124	8,678
Transfers In	187	831	6	26				
Transfers Out		419	2,061	1,021				
Cancellations		287						
Balance Forward Out	6		2,692					
Expenditures	4,341	4,705	6,025	11,085	7,969	8,362	8,124	8,678
Biennial Change in Expenditures				8,063		(779)		(308)
Biennial % Change in Expenditures				89		(5)		(2)
Governor's Change from Base								471
Governor's % Change from Base								3
Full-Time Equivalents	32.72	35.49	41.79	55.05	53.80	53.80	53.80	53.80

2001 - Other Misc Special Revenue

Receipts			25	212				
Expenditures			25	212				
Biennial Change in Expenditures				237		(237)		(237)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

2005 - Opiate Epidemic Response

Balance Forward In		1		1				
Direct Appropriation	300	300	300	300	300	300	300	300
Cancellations		3						
Balance Forward Out	1		1					
Expenditures	299	298	299	301	300	300	300	300
Biennial Change in Expenditures				3		0		0
Biennial % Change in Expenditures				0		(0)		(0)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	3.09	4.02	2.82	2.75	2.75	2.75	2.75	2.75

Budget Services

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
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3000 - Federal

Receipts			28					
Expenditures			28					
Biennial Change in Expenditures				28		(28)		(28)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

Program: Statewide Services**Activity: Economic Analysis**<https://mn.gov/mmb/forecast/>**AT A GLANCE**

Provide revenue forecasts and report changes in the national along with state economic outlook to state leaders and the public. This is done through the regular publication of reports as well as through speaking engagements and press interviews, as described below (with the number of outputs each year in parentheses):

- Budget and Economic Forecast (2)
- Quarterly Revenue and Economic Update (4)
- Monthly Revenue Memo (8)
- Budget Reserve Report (1)
- Revenue Forecast Uncertainty Report (2)
- Rating Agency Presentation (3)
- Data for bond sale Official Statement (2-3)
- Public speaking engagements (20+ events, reaching 1,000+ individuals)
- Media contacts (30+)

PURPOSE AND CONTEXT

Economic Analysis forecasts state tax revenues in November and February each year as required by state law. The *November Budget and Economic Forecast* is the starting point for the state budget and the basis for the Governor's budget recommendations. In February, we update the forecast with new information. The Legislature and the Governor use the *February Budget and Economic Forecast* to set the budget for future years and to ensure that the budgets already enacted remain on track and in balance. Bond rating agencies and other analysts use forecast information to assess the state's economic and financial condition. The media also use forecast information to inform the public.

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

Economic Analysis produces objective research and analysis related to Minnesota's economy and revenues. This research improves the reliability of existing economic and revenue forecasting models to a variety of audiences, informing them of Minnesota's economic and financial condition. These audiences include state and local government policy makers as well as the academic and business communities. The Economic Analysis Unit is led by the State Economist, whose services are provided by contract with St. Olaf College.

SERVICES PROVIDED

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

- Clear and timely information about the state economy, including forecasts of employment, income, and other measures of economic activity.
- Analysis of the volatility of major state revenue sources and their components. Through this analysis, we estimate the appropriate size for a state's budget reserve.
- Analysis of uncertainty in Minnesota's revenue projections.

RESULTS

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

A biennium is part of the February forecast three times: 29, 17, and five months from when the biennium closes. We focus our error calculations on the first February forecast (29 months before closing) as this is the forecast on which the original biennial budget is based. To determine whether our accuracy is generally improving over time, we compare the average percentage errors from the most recent three biennia to the errors over the longer term.

Name of Measure	Type of measure	Measure data source	Historical trend	Most Recent Data
1st February forecast error (+29 months from actual)	Quality	A measure of the revenue forecast's accuracy is the "forecast error," the difference between the actual amount of revenues collected and the forecasted amount. A positive error indicates an underestimate, that actual revenues were above forecast, while a negative error indicates an overestimate, that actual revenues were below the forecast.	Recessions and their immediate aftermaths generally lead to overestimation of revenues. However, the period following COVID-19 recession, we experienced a significant underestimation of revenues due to several factors: large federal fiscal stimulus, unanticipated inflation, strong stock market performance in 2021, and shifts in consumer behavior.	Long-term average forecast error (FY90-91 to FY22-23): 5.5% Recent average forecast error (FY16-17 to FY22-23): 5.9%

Minnesota Statutes, Sections 16A.103 (<https://www.revisor.mn.gov/statutes/cite/16A.103>) and 16A.152 (<https://www.revisor.mn.gov/statutes/cite/16A.152>) provide the legal authority for MMB's Economic Analysis activities.

Economic Analysis

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	605	649	771	917	915	938	915	938
Total	605	649	771	917	915	938	915	938
Biennial Change				433		165		165
Biennial % Change				35		10		10
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Compensation	358	377	494	599	597	620	597	620
Operating Expenses	248	273	277	318	318	318	318	318
Total	605	649	771	917	915	938	915	938
<u>Full-Time Equivalents</u>								
	3.01	3.12	2.99	4.50	4.00	4.00	4.00	4.00

Economic Analysis

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		12		27				
Direct Appropriation	526	526	597	1,282	915	938	915	938
Transfers In	85	190	250					
Transfers Out		78	50	392				
Balance Forward Out	6		27					
Expenditures	605	649	771	917	915	938	915	938
Biennial Change in Expenditures				433		165		165
Biennial % Change in Expenditures				35		10		10
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	3.01	3.12	2.99	4.50	4.00	4.00	4.00	4.00

Program: Statewide Services**Activity: Debt Management and Internal Controls**<https://mn.gov/mmb/debt-management/><https://mn.gov/mmb/internalcontrol/>**AT A GLANCE**

- Highest bond rating from all major credit rating agencies: Aaa/AAA/AAA with Moody's, S&P, and Fitch
- \$7.0 billion of general obligation bonds currently outstanding, including \$1.0 billion issued in calendar year 2023 and \$1.6 billion issued in calendar year 2024 (inclusive of refinancings)
- \$1.6 billion of other tax-supported debt currently outstanding, including \$507 million issued in calendar year 2023 and an anticipated \$13 million issued in calendar year 2024
- \$64 million outstanding balance in Master Lease Programs that finance technology and fleet services
- Debt managed to established Capital Investment Guidelines and to meet federal tax and securities law requirements
- Trained 1,268 new supervisors and managers on effective internal controls across 19 training modules in 2022 and 2023.

PURPOSE AND CONTEXT

Debt Management is responsible for both debt management and capital budget implementation and the compliance associated with each. Both functions seek to increase state government's capacity to manage our fiscal resources to ensure exceptional service and value for Minnesotans. We serve state agencies, local government grantees, bondholders, the Legislature, Governor's Office, and the public.

The bonds and other debt sold are used to finance or refinance the capital projects and programs authorized in law. When selling bonds, Debt Management works to minimize cost and risk to the state. Obtaining high credit ratings is important for achieving low interest rates. Therefore, we maintain active relationships with the national credit rating agencies. The current debt portfolio continues to comply with the established Capital Investment Guidelines.

Debt Management oversees compliance with all applicable Internal Revenue Service rules and regulations as well as those established by the Securities and Exchange Commission. Additionally, we ensure compliance with all applicable state laws relating to municipal bonds and the capital projects they finance. We maintain various policies and procedures regarding regulatory compliance as well as communicate these to external stakeholders via the Minnesota Management and Budget (MMB) website and direct communications.

Internal Controls and Accountability is responsible for coordinating the design, implementation, and maintenance of an effective system of internal controls and internal auditing for all executive agencies. This is done to safeguard public funds and assets, as well as minimize incidences of fraud, waste, and abuse.

SERVICES PROVIDED

- Debt management process: We support fiscal accountability by responsibly managing Minnesota's debt obligations and accessing capital markets in a manner that is most advantageous to the state. We work with financial advisors, legal counsel, rating agencies, state agencies, and underwriters and investors to bring bonds or other debt instruments to market and obtain the most favorable interest rates. We work to remain in compliance with the Minnesota Constitution, state statutes and laws, federal rules and regulations, and policies and procedures, including the capital investment guidelines.

- Capital budget process: We contribute to thriving communities by helping deliver critical infrastructure and necessary investments throughout Minnesota. We advise stakeholders on financing mechanisms for delivering more energy efficient infrastructure. We assist state agencies, local governments, and nonprofits that have received capital appropriations to navigate through the process, and help them understand of the requirements for and accessing project funds. We complete this work in accordance with the Minnesota Constitution, state statutes and laws, federal rules and regulations, and MMB's policies and procedures.
- Internal controls: We provide consultation, resources, and information to improve the system of internal controls across state government. This includes coordinating requirements for agencies to document controls and risks through annual self-assessment, monitoring of audit findings and corrective actions, and leading internal control roundtable conversations and trainings. We are also launching an internal audit function to provide assistance to state entities that lack their own internal audit capabilities.

RESULTS

While no single entity or circumstance can claim to be responsible for Minnesota's excellent debt position, having timely, relevant, accurate, and objective information available from Debt Management helps decision-makers effectively influence the state's debt position. Ensuring state entities are annually surveying their risk environment also helps protect the state's financial standing.

Name of Measure	Type of Measure	Measure data source	Historical trend	Most recent data
The state's general obligation bond ratings. <ul style="list-style-type: none"> • Moody's • S&P Global • Fitch 	Results	Ratings from National Credit Rating Agencies	The State has maintained the highest possible credit ratings from all three rating agencies for three years running.	July 2024: AAA (stable) AAA (stable) AAA (stable)
<u>Capital Investment Guidelines</u> <i>Guideline #1:</i> Total tax-supported principal outstanding as a percent of state personal income (target: not greater than 3.25%) <i>Guideline #2:</i> Total amount of principal (both issued, and authorized but unissued) as a percent of state personal income (target: not greater than 6.0%) <i>Guideline #3:</i> General obligation bonds scheduled to mature quickly (target: 40% within five years and 70% within 10 years)	Results	February 2024 Debt Capacity Forecast Legislative Report	The State continues to maintain compliance with these Guidelines.	Guideline #1: 1.87% Guideline #2: 3.72% Guideline #3: 43.4%/75.6%

A comparison of the interest rates from year 1 to 10 of state general obligation bonds sold compared to a municipal bond index for AAA-rated bonds.	Results	Financial analysis of August 2024 bond sale results	The State's bonds have regularly priced at or near the AAA-level.	The state's interest rates were slightly higher than the index (2.8%)
Percent of agency heads that submitted the annual internal control certification	Quality	MMB's 2023 Control System Assessment Tool	The State routinely achieves near universal completion of this certification.	99%

Minnesota Statutes, Chapter 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) provides the legal authority for MMB's Debt Management and Internal Control activities.

Debt Management and Internal Controls

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27

Expenditures by Fund

1000 - General	601	1,071	1,559	3,047	2,400	2,450	2,762	2,976
Total	601	1,071	1,559	3,047	2,400	2,450	2,762	2,976
Biennial Change				2,933		244		1,132
Biennial % Change				175		5		25
Governor's Change from Base								888
Governor's % Change from Base								18

Expenditures by Category

Compensation	578	949	1,444	2,481	2,136	2,193	2,498	2,719
Operating Expenses	23	122	114	566	264	257	264	257
Total	601	1,071	1,559	3,047	2,400	2,450	2,762	2,976

Full-Time Equivalents

3.70	6.19	9.51	17.50	17.50	17.50	20.50	20.50
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Debt Management and Internal Controls

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		4		492				
Direct Appropriation	605	605	3,560	3,055	2,400	2,450	2,762	2,976
Transfers In		536	50					
Transfers Out		74	1,560	500				
Cancellations		0						
Balance Forward Out	4		492					
Expenditures	601	1,071	1,559	3,047	2,400	2,450	2,762	2,976
Biennial Change in Expenditures				2,933		244		1,132
Biennial % Change in Expenditures				175		5		25
Governor's Change from Base								888
Governor's % Change from Base								18
Full-Time Equivalents	3.70	6.19	9.51	17.50	17.50	17.50	20.50	20.50

Program: Statewide Services**Activity: Enterprise Employee Resources**<https://mn.gov/mmb/employee-relations/>**AT A GLANCE**

- Provide support and guidance to agency human resource and labor relations, with an emphasis on workforce planning strategies, recruiting and compensation assistance in a challenging labor market
- Support an increasingly diverse workforce and inclusive culture through enhanced training, employee engagement, evidence-based retention strategies, and enhanced communications
- Support employee development as well as career advancement with targeted programs for supervisors, managers, emerging leaders, and senior leaders
- Increased access to diversity and inclusion training for all employees, including supervisors along with managers
- Negotiated 12 labor agreements covering 40,000 employees
- Completed the third bi-annual enterprise employee engagement and inclusion surveys and follow-up activities

PURPOSE AND CONTEXT

Enterprise Employee Resources (EER) includes Statewide Human Resources Management, Labor Relations, Enterprise Talent Development, Classification and Compensation, and Employee Experience.

Statewide Human Resources Management develops and maintains tools and infrastructure for state agency human resources partners to recruit and retain the workforce needed to meet business goals. Labor Relations helps provide efficient and accountable government services by promoting productive relationships with labor organizations representing state employees while integrating the needs of management. Enterprise Talent Development delivers training and development courses to sharpen employee skills in current roles, develop potential for advancement, and elevate leadership effectiveness. Classification and Compensation supports agency human resources teams and the collective bargaining process by providing guidance along with review of employee classification and compensation questions, including job audits in addition to providing workforce data. They also support the external pay equity process. Employee Experience is responsible for creating strategies that can be used across the enterprise to recruit, engage, and retain employees, which also foster a more diverse and inclusive workforce.

Our service population and clientele include the state's 57,000 employees throughout the executive branch. We also serve human resources, supervisory, and managerial staff in over 100 state agencies, boards, and commissions.

SERVICES PROVIDED

- Deliver strategic human resources solutions and guidance that align with business needs and contribute to the delivery of exceptional public services.
- Monitor changes in laws that affect human resource operations in state agencies. Research, develop, and deploy comprehensive policies in addition to providing training and guidance to ensure agencies comply.
- Develop and maintain systems to record, manage, and retrieve human resources data and information. These systems include employment application processing, learning management, employee record management, and employee benefits.

- Design and deliver learning initiatives to sharpen skills in current roles, develop advancement potential as well as elevate leadership effectiveness. Enhance leadership effectiveness in a collaborative, hybrid, or virtual work environment.
- Advance 106 graduates from our Emerging Leaders Institute (ELI) and 32 graduates of our Senior Leadership Institute (SLI).
- Develop 140 participants of our Strategic Effectiveness of Aspiring Leaders (SEAL) program.
- Support 627 attendees of our Manager and Supervisor Core (onboarding) programs.
- Provide diversity, equity, and inclusion learning opportunities that encourage conversations, foster a more respectful work environment, and promote an anti-racism culture.
- Manage enterprise-wide classification system with over 1,800 job classifications, coordinating class studies in addition to creating new classes/career paths as dictated by agency or enterprise needs.
- Develop and maintain job audit resources to assist Human Resources staff in appropriately describing work along with selecting candidates.
- Continuously evaluate and adjust employee compensation, driven by data as well as analysis of recruiting, retention, turnover, and market data.
- Evaluate human resources data and create data visualization tools to assist agency human resources partners and other agency leaders in making strategic decisions related to employee staffing and engagement.
- Work closely with 3,000 local jurisdictions annually to review pay equity and develop solutions to address identified issues.
- Represent the state in negotiations and contract mediation for collective bargaining agreements, including interest arbitration. Ensure that negotiated labor agreements maintain flexibility for management and contain economic settlements that are within the state's ability to pay.
- Provide advice and counsel to state agencies on contract administration, including contract interpretation, employee misconduct investigations, employee discipline, and employee performance management.
- Assist state agencies in review of grievances, including representation of the State in grievance mediation, arbitrations, and settlement negotiations.
- Provide employee training on topics such as labor relations concepts, grievance processing, discipline and discharge, and investigations.
- Advance equity and inclusion practices within statewide human resource policies and operations.
- Support state agency leadership and staff who are charged with carrying out essential responsibilities in the areas of diversity and inclusion, equal employment opportunity, affirmative action, the Americans with Disabilities Act, Olmstead implementation, and elimination of racial disparities in state government. This is accomplished through assessments, trainings as well as coaching, employee resource groups, and other organizational design and change management tools.
- Develop evidence-based recruitment, engagement, and retention initiatives for deployment across the enterprise.
- Create recruitment initiatives that are community-based, resulting in more diverse applicant pools.
- Develop programs aimed at enhanced employee retention, including mentoring and career advancement.
- Support the work of eight enterprise Employee Resource Groups that offer programming and dialogue opportunities for diverse, under-represented and historically marginalized employee groups.
- Redesign processes such as employee onboarding to be focused on ongoing engagement, as well as diversity, equity and inclusion.
- Host the recruitment community of practice and agency engagement and inclusion champions to support the work being conducted in individual agencies.
- Coordinate four pipeline programs in partnership with the cities of St. Paul and Minneapolis.

RESULTS

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Continued efforts to hire and retain a diverse workforce. Current Staffing: <ul style="list-style-type: none"> Females BIPOC Individuals with disabilities Veterans 	Quality	SEMA4	Female representation in the workforce remains consistent; upward trending for BIPOC and employees with disabilities; slight decrease for veterans	50.4% 15.9% 11.6% 6.9%
New Hires, by Protected Group <ul style="list-style-type: none"> BIPOC Individuals with disabilities Veterans 	Quantity	SEMA4	Continued upward trend for BIPOC and individuals with disabilities, continue slight decrease in hire for veterans	21.2% 15.9% 6.1%
Percentage of state employees who would recommend working in state government	Quality	Biennial Enterprise Engagement and Inclusion Survey	This measure has varied slightly, beginning at 76% in FY 2019, then increasing to 77% in FY 2021.	74%
Percentage of cabinet agency employees receiving yearly performance feedback	Quality	Annual agency survey	Decrease of 2% from FY22.	84%
Percentage of contract negotiations that result in voluntary negotiated settlements consistent with State's ability to pay	Quality	MMB Labor Relations	All negotiations in 2020 and 2022 reached a voluntary negotiated settlement consistent with the State's ability to pay.	100% (2020 and 2022)

Minnesota Statutes, Chapters 43A (<https://www.revisor.mn.gov/statutes/cite/43a>) and 179 (<https://www.revisor.mn.gov/statutes/cite/179>) provide the legal authority for MMB's Enterprise Employee Relations activities.

Enterprise Employee Resources

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	4,782	5,143	5,889	7,216	6,666	6,830	7,023	7,416
2001 - Other Misc Special Revenue	886	975	1,488	1,629	1,667	1,681	1,667	1,681
5200 - Management Analysis	2,595	2,511	2,987	3,538	3,627	3,671	3,627	3,671
6000 - Miscellaneous Agency	25	(3)	(10)					
Total	8,288	8,626	10,354	12,383	11,960	12,182	12,317	12,768
Biennial Change				5,824		1,405		2,348
Biennial % Change				34		6		10
Governor's Change from Base								943
Governor's % Change from Base								4

Expenditures by Category

Compensation	6,361	6,930	8,044	9,532	9,211	9,433	9,568	10,019
Operating Expenses	1,884	1,699	2,320	2,851	2,749	2,749	2,749	2,749
Grants, Aids and Subsidies	25	(3)	(10)					
Other Financial Transaction	19		0					
Total	8,288	8,626	10,354	12,383	11,960	12,182	12,317	12,768

Total Agency Expenditures	8,288	8,626	10,354	12,383	11,960	12,182	12,317	12,768
Internal Billing Expenditures	113	118	139	129	129	129	129	129
Expenditures Less Internal Billing	8,176	8,507	10,215	12,254	11,831	12,053	12,188	12,639

Full-Time Equivalents

	51.98	56.61	60.09	67.20	67.20	67.20	69.20	69.20
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Enterprise Employee Resources

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		122		395				
Direct Appropriation	4,898	4,898	6,282	6,493	6,666	6,830	7,023	7,416
Transfers In		245	2	500				
Transfers Out		121		172				
Cancellations		1						
Balance Forward Out	116		395					
Expenditures	4,782	5,143	5,889	7,216	6,666	6,830	7,023	7,416
Biennial Change in Expenditures				3,180		391		1,334
Biennial % Change in Expenditures				32		3		10
Governor's Change from Base								943
Governor's % Change from Base								7
Full-Time Equivalents	35.41	37.33	40.11	46.20	46.20	46.20	48.20	48.20

2001 - Other Misc Special Revenue

Balance Forward In	113	258	340	218	141	86	141	86
Receipts	953	1,011	1,366	1,552	1,612	1,645	1,612	1,645
Transfers Out			0					
Balance Forward Out	180	294	218	141	86	50	86	50
Expenditures	886	975	1,488	1,629	1,667	1,681	1,667	1,681
Biennial Change in Expenditures				1,256		231		231
Biennial % Change in Expenditures				67		7		7
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.77	1.93	3.99	5.00	5.00	5.00	5.00	5.00

5200 - Management Analysis

Balance Forward In	289	70	33	120	283	357	283	357
Receipts	2,306	2,465	3,074	3,701	3,701	3,701	3,701	3,701
Balance Forward Out		24	120	283	357	387	357	387
Expenditures	2,595	2,511	2,987	3,538	3,627	3,671	3,627	3,671
Biennial Change in Expenditures				1,419		773		773
Biennial % Change in Expenditures				28		12		12
Governor's Change from Base								0

Enterprise Employee Resources

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
Governor's % Change from Base								0
Full-Time Equivalents	13.80	17.35	15.99	16.00	16.00	16.00	16.00	16.00

6000 - Miscellaneous Agency

Balance Forward In	46	22	25	35	35	35	35	35
Receipts	0							
Balance Forward Out	22	25	35	35	35	35	35	35
Expenditures	25	(3)	(10)					
Biennial Change in Expenditures				(32)		10		10
Biennial % Change in Expenditures				(148)				
Governor's Change from Base								0
Governor's % Change from Base								

Program: Statewide Services**Activity: Agency Administration**<https://www.mn.gov/mmb>**AT A GLANCE**

- Provided oversight as well as managed processes and transactions totaling \$3.1 billion in operating, non-operating, and debt service expenditures in FY 2022 and FY2023
- Manage and ensure the consistent operation of seven enterprise IT systems annually
- Through a shared service model with the Department of Administration, provide Human Resources management for over 360 MMB employees
- Provide nearly \$532,000 through annual payroll deductions from State of Minnesota employees to Minnesota charitable organizations in the Combined Charities Campaign

PURPOSE AND CONTEXT

Agency Administration provides oversight, management, and support to all Minnesota Management and Budget (MMB) operations. It also consists of a compilation of functions within the scope of the work of MMB. Several of these functions provide internally facing services to MMB employees, such as administrative services, fiscal services, and human resources. Other functions within Agency Administration provide services to the state government enterprise, local governments, the Legislature, and the public. These services included legislative and intergovernmental affairs, legal services, and the Combined Charities Campaign. Additionally, the Agency Administration activity oversees the operations of the seven enterprise IT systems, including the state's accounting, budgeting, and human resources systems

SERVICES PROVIDED

- Manage the department's financial operations, including the processing of MMB's operating, non-operating, and debt service expenses and revenues.
- Support and manage about 360 employees by providing administrative and human resources support, ensuring compliance with statewide as well as departmental human resources policies and procedures.
- Coordinate legislative initiatives for MMB, which includes conducting legislative outreach, providing agency committee testimony, completing fiscal notes, monitoring relevant proposed changes to the law, and responding to legislative inquiries.
- Provide advice on legal compliance and litigation management to MMB in addition to providing employment law advice to human resources and management staff across the executive branch.
- Manage the publication of several high-profile documents, including the Governor's biennial budget recommendations, Budget and Economic Forecasts, and the state's Annual Comprehensive Financial Report (ACFR).
- Provide administrative support to the Combined Charities Campaign, which allows State of Minnesota employees to make donations to Minnesota charitable organizations through payroll deductions.
- Develop the strategic direction and overall business technology roadmap in support of state agencies in all three branches of government to conduct their essential daily business functions.

RESULTS

Measure Name	Measure type	Measure data source	Historical trend	Most recent data
Percent of MMB staff who self-report as minority race or ethnicity	Quality	Internal Tracking	Gradual increase year over year, from 18% in 2020	23.7% - 2024
Percent of MMB staff who self-report as having a disability	Quality	Internal Tracking	Year over year increase from 9% in 2020	17.3% - 2024
Percent of MMB staff retained for at least two years	Quality	Internal Tracking	Trending downward from 2019 retention rate	75% - 2024
Percent of MMB staff who would recommend MMB as a place to work	Results	Engagement & Inclusion Survey	Increasing since 2018	83% - 2023

Minnesota Statutes, Chapters 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) 43A (<https://www.revisor.mn.gov/statutes/cite/43A>) provide the legal authority for MMB's Agency Administration budget activity.

Agency Administration

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27

Expenditures by Fund

1000 - General	10,289	10,228	18,195	36,770	16,230	16,326	16,552	16,972
2000 - Restrict Misc Special Revenue	443	300	22	19	19	19	19	19
2001 - Other Misc Special Revenue	11,692	10,165	9,916	13,051	13,155	13,242	13,155	13,242
2403 - Gift		36						
3000 - Federal		934	55					
3010 - Coronavirus Relief	62							
3015 - ARP-State Fiscal Recovery	1,606	5,298	31	187				
Total	24,092	26,962	28,219	50,027	29,404	29,587	29,726	30,233
Biennial Change				27,193		(19,255)		(18,287)
Biennial % Change				53		(25)		(23)
Governor's Change from Base								968
Governor's % Change from Base								2

Expenditures by Category

Compensation	5,361	5,235	6,987	8,833	7,606	7,814	7,678	7,960
Operating Expenses	18,684	20,781	21,213	41,194	21,798	21,773	22,048	22,273
Capital Outlay-Real Property		18						
Other Financial Transaction	47	928	19					
Total	24,092	26,962	28,219	50,027	29,404	29,587	29,726	30,233

Total Agency Expenditures	24,092	26,962	28,219	50,027	29,404	29,587	29,726	30,233
Internal Billing Expenditures	379	438	527					
Expenditures Less Internal Billing	23,713	26,524	27,692	50,027	29,404	29,587	29,726	30,233

Full-Time Equivalents

44.54	43.46	50.11	66.10	55.30	55.30	55.30	55.30
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Agency Administration

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		1,544	70	18,781				
Direct Appropriation	11,607	12,098	35,048	27,163	16,295	16,391	16,617	17,037
Transfers In		2,859	4,100	96				
Transfers Out	733	6,110	2,241	770	65	65	65	65
Cancellations		93		8,500				
Balance Forward Out	585	70	18,782					
Expenditures	10,289	10,228	18,195	36,770	16,230	16,326	16,552	16,972
Biennial Change in Expenditures				34,448		(22,409)		(21,441)
Biennial % Change in Expenditures				168		(41)		(39)
Governor's Change from Base								968
Governor's % Change from Base								3
Full-Time Equivalents	18.98	18.35	27.16	35.92	26.12	26.12	26.12	26.12

2000 - Restrict Misc Special Revenue

Balance Forward In	13	9	5	2	2	2	2	2
Receipts	440	295	19	19	19	19	19	19
Balance Forward Out	9	5	2	2	2	2	2	2
Expenditures	443	300	22	19	19	19	19	19
Biennial Change in Expenditures				(702)		(3)		(3)
Biennial % Change in Expenditures				(95)		(7)		(7)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.58	0.75	0.01	0.01	0.01	0.01	0.01	0.01

2001 - Other Misc Special Revenue

Balance Forward In	4,753	3,212	4,100	5,713	4,053	2,811	4,053	2,811
Receipts	10,877	10,978	11,528	11,413	11,913	12,438	11,913	12,438
Transfers In		2						
Transfers Out				22				
Balance Forward Out	3,938	4,028	5,712	4,053	2,811	2,007	2,811	2,007
Expenditures	11,692	10,165	9,916	13,051	13,155	13,242	13,155	13,242
Biennial Change in Expenditures				1,111		3,430		3,430
Biennial % Change in Expenditures				5		15		15

Agency Administration

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	21.98	21.96	22.82	29.05	29.05	29.05	29.05	29.05

2403 - Gift

Balance Forward In		62	127				
Receipts	73	65					
Transfers In	25						
Transfers Out			127				
Balance Forward Out	62	127					
Expenditures	36						
Biennial Change in Expenditures			(36)		0		0
Biennial % Change in Expenditures							
Governor's Change from Base							0
Governor's % Change from Base							

3000 - Federal

Receipts	934	55				
Expenditures	934	55				
Biennial Change in Expenditures		(879)		(55)		(55)
Biennial % Change in Expenditures						
Governor's Change from Base						0
Governor's % Change from Base						
Full-Time Equivalents		0.10	0.10	0.10	0.10	0.10

3010 - Coronavirus Relief

Balance Forward In	93				
Cancellations	30				
Expenditures	62				
Biennial Change in Expenditures		(62)		0	0
Biennial % Change in Expenditures					
Governor's Change from Base					0
Governor's % Change from Base					

Agency Administration

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
3015 - ARP-State Fiscal Recovery								
Balance Forward In		3,054						
Direct Appropriation	5,135	3,857	31	187	0	0	0	0
Cancellations	1,410	1,613	0					
Balance Forward Out	2,119							
Expenditures	1,606	5,298	31	187				
Biennial Change in Expenditures				(6,686)		(218)		(218)
Biennial % Change in Expenditures				(97)		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	3.00	2.40	0.02	1.02	0.02	0.02	0.02	0.02

Program: Statewide Services**Activity: Communications, Engagement, and Development**<https://mn.gov/mmb/>**AT A GLANCE**

- Support internal and external stakeholders in effectively and efficiently executing financial, human resources, and other key enterprise activities. We do this through coordinated communications, strategic planning, consistent branding, plain language, accessibility, and improved digital formats
- Provided over 22,000 hours of consulting services on 169 projects for 52 client agencies in fiscal year 2024
- Ensure state agencies have procedures and communicate information that allow state government to continue its critical operations in case of a catastrophic event, emergency, or continuity incident

PURPOSE AND CONTEXT

Communications, Engagement, and Development provides critical services to the enterprise to ensure employees, agencies, and agency leaders have the tools as well as information they need to effectively do their work. Members of the team focus their work on proactive and inclusive strategies to create a culture of collaboration, communication, and information-sharing throughout our agency as well as the enterprise. These functions are also integral in achieving the Minnesota Management and Budget (MMB) mission and vision as described in the agency profile.

Communications, Engagement, and Development is made up of three groups, all of which play key roles in ensuring strategic planning and communications throughout the entire enterprise: Communications, Business Continuity, and Management Analysis and Development (MAD).

SERVICES PROVIDED

- Communicate key initiatives as well as information to MMB, the enterprise, and to the public using all communication channels while promoting a uniform brand.
- Provide consultation in Continuity of Operations (COOP) planning or in response to all hazards, including violent events, catastrophic disasters, and emergencies. Act as the statewide lead in events that disrupt services within state government.
- Provide problem-solving assistance and information to help leaders and managers make decisions that improve efficiency and effectively use state resources.

RESULTS

Measure name	Measure Type	Measure data source	Historical trend	Most recent data
Organizations improved due to Management Analysis and Development (MAD) work	Results	Post-engagement client feedback questionnaires	Steady: MAD clients consistently report that consulting services improve their organizations.	100%
Demand for Management Analysis and Development consulting services <ul style="list-style-type: none"> • Total consulting hours • Number of projects • Number of agencies served 	Quantity	Project tracking database	Increasing: In recent years, demand for MAD consulting services has increased.	22,050 169 52
Percent of continuity of operations plans refreshed annually	Quantity	Priority Service Spreadsheet update and COOP plan signed	Steady: Consistent year to year based on requirements from MMB	100%
Percent of agencies completing continuity exercises on schedule	Quality	Agency COOP Coordinator self-reporting	Continuity exercises have begun to resume at a more regular schedule since the initial COVID-19 response.	75%
Engagement rate from email communication campaigns designed to build employee/public awareness.	Quality	GovDelivery metrics	Increasing: The number of email subscribers who are interacting with our content and responding to our communication efforts has increased.	70%

Minnesota Statutes, Chapters 16A (<https://www.revisor.mn.gov/statutes/cite/16A>) and 43A (<https://www.revisor.mn.gov/statutes/cite/43A>) provide the legal authority for MMB's Communications, Engagement, and Development activities.

Communications, Engagement and Development

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	1,010	905	2,059	2,636	2,314	2,387	2,365	2,492
5200 - Management Analysis	8,788	11,356	13,356	14,022	14,251	13,436	14,251	13,436
Total	9,798	12,261	15,415	16,658	16,565	15,823	16,616	15,928
Biennial Change				10,014		315		471
Biennial % Change				45		1		1
Governor's Change from Base								156
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Compensation	3,474	3,817	5,020	6,250	6,512	5,770	6,563	5,875
Operating Expenses	6,320	8,438	10,381	10,403	10,048	10,048	10,048	10,048
Other Financial Transaction	5	6	14	5	5	5	5	5
Total	9,798	12,261	15,415	16,658	16,565	15,823	16,616	15,928
Total Agency Expenditures	9,798	12,261	15,415	16,658	16,565	15,823	16,616	15,928
Internal Billing Expenditures	104	121	240	250	250	250	250	250
Expenditures Less Internal Billing	9,694	12,140	15,175	16,408	16,315	15,573	16,366	15,678
<u>Full-Time Equivalents</u>	26.49	30.59	34.36	41.20	41.20	41.20	41.20	41.20

Communications, Engagement and Development

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		1		207				
Direct Appropriation	942	942	1,151	652	2,314	2,387	2,365	2,492
Transfers In	67	264	1,255	1,777				
Transfers Out		302	140					
Cancellations		1						
Balance Forward Out			207					
Expenditures	1,010	905	2,059	2,636	2,314	2,387	2,365	2,492
Biennial Change in Expenditures				2,780		6		162
Biennial % Change in Expenditures				145		0		3
Governor's Change from Base								156
Governor's % Change from Base								3
Full-Time Equivalents	6.23	6.48	8.43	14.20	14.20	14.20	14.20	14.20

5200 - Management Analysis

Balance Forward In	1,886	2,205	2,128	1,502	1,464	1,197	1,464	1,197
Receipts	9,027	11,124	12,729	13,984	13,984	13,984	13,984	13,984
Balance Forward Out	2,124	1,973	1,502	1,464	1,197	1,745	1,197	1,745
Expenditures	8,788	11,356	13,356	14,022	14,251	13,436	14,251	13,436
Biennial Change in Expenditures				7,234		309		309
Biennial % Change in Expenditures				36		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	20.26	24.11	25.93	27.00	27.00	27.00	27.00	27.00

Program: Statewide Services**Activity: Planning and Policy**<https://mn.gov/mmb/>**AT A GLANCE**

- Coordinate interagency strategy and action across dozens of agencies related to key quality of life issues
- Center government decision-making on communities directly impacted by key issues by engaging with partners and community members by hosting events such as listening sessions and workshops
- Identify a broad range of critical issues for the future of Minnesotans and coordinate statewide plans for them
- Build the capacity for the enterprise to address critical challenges and opportunities by recruiting as well as partnering with experts within agencies, academia, and the private sector

PURPOSE AND CONTEXT

The Planning and Policy Division coordinates cross-agency planning, strategy and policy analysis around core long-term challenges and opportunities facing Minnesota. The greatest issues facing the state – such as supporting the healthy development of children and families, addiction and recovery, health, inclusion, and workforce – do not live cleanly within the statutory jurisdiction of one state agency or unit of government. Tackling these broad and complex issues requires careful planning, coordination, and analysis. In 2023, legislation was enacted to establish as well as fund a Planning and Policy Division with Minnesota Management and Budget (MMB) to coordinate efforts around major state policy and strategic objectives.

The Planning and Policy Division is made up of five groups that develop strategy and drive action across agencies:

- The Children’s Cabinet works with state agencies, families, schools, and local communities to improve the lives of Minnesota’s children.
- The Health Cabinet coordinates efforts to reform health care delivery and payment systems, foster sustainable health care spending, ensure access to comprehensive, high-quality health care and health care coverage, and reduce disparities and inequities in health care outcomes.
- The Long-Range Planning Team identifies critical issues for the future wellbeing of the state, coordinates interagency plan development and works to drive action that improves the effectiveness of state programs.
- The Office of Addiction and Recovery supports both the Subcabinet on Opioids, Substance Use, and Addiction, as well as a Governor’s Advisory Council of the same name, which works to improve outcomes for Minnesotans experiencing substance use disorder, their families, and their communities.
- The Office of Inclusion leads the crucial work of advancing equity and inclusion practices within statewide human resource policies and operations.

SERVICES PROVIDED

- Identify critical issues for the future of Minnesota with an inclusive, engaging, and sound process.
- Convene policy makers and experts across agencies to align strategies and resources.
- Use data-driven and results-oriented practices and tools to promote action as well as accountability in the effort to improve the lives of Minnesotans.

RESULTS

Measure Name	Measure type	Measure data source	Historical trend	Most recent data
Reduce Child Poverty	Quantity	Columbia University's Center on Poverty and Social Policy	The Three-Year Supplemental Poverty Rolling Average of Children Living in Poverty in Minnesota is 6.9% from 2017-2019	N/A
Children's Mental Health	Quantity	Minnesota Student Survey	Reduce the proportion of students reporting mental distress by 10 percentage points to 34% by 2025. This has been trending upward over the past several years.	In the most recent survey, 44% of students reported mental distress.
Child Care Access	Quantity	University of Minnesota, Carlson School of Management and College of Food, Agricultural and Natural Resource Sciences	The percent of families with adequate access to child care has historically been inadequate affecting family economics, businesses, and child wellbeing.	Currently, 77% of families are estimated to have adequate access to child care.
The State of Minnesota creates an inclusive environment and retains 75% of newly hired employees for at least two years.	Quality	Statewide employment data from MMB	The two-year retention rate increased from 67% for employees hired in FY 2021.	74% - two-year retention of employees hired in FY 2022
Number of engagements resulting from long-range plans	Quantity	Internal tracking	N/A	New office, currently zero engagements related to statewide long-range plans.

Measure Name	Measure type	Measure data source	Historical trend	Most recent data
Reduce Opioid Deaths	Result	Minnesota Drug Overdose Dashboard, Minnesota Department of Health	2018-2021 data showed a significant increase in opioid-involved drug overdose deaths	Opioid-involved drug overdose deaths in 2022 increased by 3% from the previous year.
Health Disparities: All Minnesotans receive high quality health care, free of provider or system bias	Quality	Minnesota Department of Health and University of Minnesota School of Public Health, Minnesota Health Access Survey	Black Minnesotans and Trans Minnesotans reported the highest rates of unfair treatment at 45% and 60% respectively in 2021	Measurable goal for 2027: Reduce the percentage of Black Minnesotans and the percentage of Trans and Non-Binary Minnesotans reporting unfair treatment by their providers by 50 percent. We will have new data for this measure in 2025.

Minnesota Statutes Section 16A.091 (<https://www.revisor.mn.gov/statutes/cite/16a.091>) provides the legal authority for MMB's Planning and Policy activities.

Minnesota Statutes, Sections 4.045 (<https://www.revisor.mn.gov/statutes/cite/4.045>), 4.046 (<https://www.revisor.mn.gov/statutes/cite/4.046>), and 4.047 (<https://www.revisor.mn.gov/statutes/cite/4.047>) provide the legal authority for the Children's Cabinet; Opioids, Substance Use, and Addiction Subcabinet; and Health Subcabinet.

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
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Expenditures by Fund

1000 - General			2,059	6,975	5,116	4,132	5,116	4,132
2001 - Other Misc Special Revenue	966	1,028	795	1,005	1,051	1,151	1,051	1,151
2403 - Gift	1	26	29	20				
Total	967	1,053	2,883	8,000	6,167	5,283	6,167	5,283
Biennial Change				8,863		567		567
Biennial % Change				439		5		5
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Compensation	823	904	2,273	4,090	4,510	4,688	4,510	4,688
Operating Expenses	143	149	610	3,910	1,657	595	1,657	595
Total	967	1,053	2,883	8,000	6,167	5,283	6,167	5,283

Total Agency Expenditures	967	1,053	2,883	8,000	6,167	5,283	6,167	5,283
Internal Billing Expenditures	31	29	26	25	25	25	25	25
Expenditures Less Internal Billing	936	1,025	2,857	7,975	6,142	5,258	6,142	5,258

Full-Time Equivalents

	6.25	6.72	12.94	25.49	31.00	31.00	31.00	31.00
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(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In				2,111				
Direct Appropriation			4,751	4,864	5,116	4,132	5,116	4,132
Transfers In			500					
Transfers Out			1,082					
Balance Forward Out			2,110					
Expenditures			2,059	6,975	5,116	4,132	5,116	4,132
Biennial Change in Expenditures				9,034		214		214
Biennial % Change in Expenditures						2		2
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			8.26	17.49	23.00	23.00	23.00	23.00

2001 - Other Misc Special Revenue

Balance Forward In	122	209	442	383	298	259	298	259
Receipts	1,039	1,231	736	920	1,012	1,113	1,012	1,113
Balance Forward Out	195	413	383	298	259	221	259	221
Expenditures	966	1,028	795	1,005	1,051	1,151	1,051	1,151
Biennial Change in Expenditures				(193)		402		402
Biennial % Change in Expenditures				(10)		22		22
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	6.25	6.57	4.53	8.00	8.00	8.00	8.00	8.00

2403 - Gift

Balance Forward In		74	49	20				
Receipts	75							
Balance Forward Out	74	49	20					
Expenditures	1	26	29	20				
Biennial Change in Expenditures				22		(49)		(49)
Biennial % Change in Expenditures				84		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents		0.15	0.15					

Program: Employee Insurance<https://mn.gov/mmb/segip/>**AT A GLANCE**

- Provide insurance benefits to approximately 131,000 state employees, dependents, and retirees annually in all three branches of state government, Minnesota State, as well as certain quasi-state agencies
- Innovative tiered benefit design encourages members to use the most efficient health care providers. In 2024, 88.3% of SEGIP members were enrolled in primary care clinics assigned to the lowest cost levels
- Collected \$1.16 billion in insurance premiums and administrative fees from state agencies, employees/retirees, and other participating groups in fiscal year 2023
- Health insurance accounted for approximately 88% of expenses in fiscal year 2023, while all other benefits combined accounted for the remaining 12%
- Public Employees Insurance Program (PEIP) provides insurance benefits to 32,000 active employees, dependents, and retirees in 281 public sector employer groups (75 school districts, 113 cities, 12 townships, 12 counties, and 69 other local units of government).

PURPOSE AND CONTEXT

Minnesota Management and Budget (MMB) administers two distinct programs under legislative authority provided in Minnesota Statutes 43A: the State Employee Group Insurance Program (SEGIP) and the Public Employees Insurance Program (PEIP).

SEGIP offers a set of comprehensive insurance benefits to ensure the State of Minnesota, Minnesota State, and certain quasi-state agency employees and their families have access to high-quality services at an affordable cost. These benefits include health, dental, life, and vision. They also provide options for long-term and short-term disability insurance, pre-tax accounts for medical and dental care, dependent care, and transit expenses. The benefits also feature initiatives that promote employee health and well-being including an Employee Assistance Program that provides confidential counseling along with daily life concierge services designed to help balance work/life responsibilities. Insurance and employee well-being benefits are valuable components of compensation that helps the state attract and retain a talented workforce while keeping employees and their families healthy.

PEIP provides voluntary health, dental, and life insurance benefits to employees of local units of government and their families. PEIP provides public employers access to a high-quality, cost-effective benefits package that will attract and retain outstanding employees in addition to help contain costs.

MMB is Minnesota's largest employer purchaser of health care. Together, SEGIP and PEIP use purchasing strategies designed to contain cost as well as provide access to high quality care to employees and their family members.

SERVICES PROVIDED

- SEGIP's and PEIP's health insurance plans, the Minnesota Advantage Health Plan and PEIP Advantage Health Plan, are self-insured. Their tiered network design allows for broad choice of primary care clinics while also incentivizing members to choose clinics that are the most cost-efficient, saving money for the member and plan alike. Given MMB's purchasing power, this benefit design also enables the state to

negotiate better prices from providers that wish to be placed in the most favorable cost tiers which attract the most members.

- SEGIP's and PEIP's contracts with medical, dental, and pharmacy administrators include incentives related to cost management, health outcomes, provider network management, and operational performance.
- SEGIP promotes employee health and well-being, which supports employee recruitment and retention efforts in addition to population health. This statement is further shown with the recent removal of all employee cost-sharing for behavioral health office visits for members enrolled in cost levels 1 and 2. SEGIP's health plan administrators also identify and engage with members with conditions like diabetes, asthma, back pain, and depression in order to better manage their conditions.
- SEGIP health plan members diagnosed with diabetes have access to the Advantage Value for Diabetes (AVD) benefit which reduces out-of-pocket costs for certain high-value medical services, prescription drugs, and testing supplies. Advantage Value for Diabetes encourages members to receive appropriate care to manage their diabetes to help prevent or delay the onset of costly complications. The AVD pilot program began January 1, 2018.

RESULTS

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Percent of SEGIP plan participants enrolled in primary care clinics at the two lowest cost levels	Quality	SEGIP enrollment and clinic cost level data	SEGIP enrollment in Cost Levels 1 and 2 has consistently remained around 90% with year-to-year variability.	88.3% (2024)
Cumulative number of SEGIP prediabetes program participants who have reduced their risk by 50% or more	Results	Omada for Prevention program reporting	The cumulative number of participants has continued to grow slowly over time.	2,338 (2015 – 2023)
PEIP net medical claims cost (per member per month) growth per measurement period. PEIP's goal is for these costs to trend closely to SEGIP's	Results	SEGIP and PEIP historical medical claims data	On average medical claims trend upward by single digit percentages each year, with year-to-year variation based on member utilization and cost trends.	PEIP: -0.02% (07/01/22 – 06/30/23) SEGIP: 1.93% (07/01/22 – 06/30/23)

Minnesota Statutes, Chapter 43A (<https://www.revisor.mn.gov/statutes/cite/43A>) provides the legal authority for the State Employee Group Insurance Program and the Public Employees Insurance Program.

Employee Insurance

Program Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
4700 - Public Employees Insurance	348,463	286,011	246,132	332,200	332,208	332,215	332,208	332,215
5600 - State Employees Insurance	1,090,677	1,125,782	1,230,897	1,324,943	1,407,131	1,490,574	1,407,131	1,490,574
6000 - Miscellaneous Agency	38,972	40,622	41,073	41,789	41,755	41,755	41,755	41,755
Total	1,478,113	1,452,416	1,518,101	1,698,932	1,781,094	1,864,544	1,781,094	1,864,544
Biennial Change				286,505		428,605		428,605
Biennial % Change				10		13		13
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Activity

State Employee Group Ins Pgrm	1,129,650	1,166,405	1,271,970	1,366,732	1,448,886	1,532,329	1,448,886	1,532,329
Public Employees Insurance Pgrm	348,463	286,011	246,132	332,200	332,208	332,215	332,208	332,215
Total	1,478,113	1,452,416	1,518,101	1,698,932	1,781,094	1,864,544	1,781,094	1,864,544

Expenditures by Category

Compensation	5,244	5,846	6,275	6,765	6,967	7,175	6,967	7,175
Operating Expenses	1,472,869	1,446,569	1,511,826	1,692,165	1,774,125	1,857,367	1,774,125	1,857,367
Other Financial Transaction	0	1	0	2	2	2	2	2
Total	1,478,113	1,452,416	1,518,101	1,698,932	1,781,094	1,864,544	1,781,094	1,864,544

Total Agency Expenditures	1,478,113	1,452,416	1,518,101	1,698,932	1,781,094	1,864,544	1,781,094	1,864,544
Internal Billing Expenditures	279	301	490	488	504	520	504	520
Expenditures Less Internal Billing	1,477,834	1,452,115	1,517,612	1,698,444	1,780,590	1,864,024	1,780,590	1,864,024

Full-Time Equivalents

46.57	51.28	50.43	58.30	58.30	58.30	58.30	58.30
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Employee Insurance

Program Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
4700 - Public Employees Insurance								
Balance Forward In	95,180	80,848	85,266	92,621	92,621	92,613	92,621	92,613
Receipts	334,013	290,213	253,487	332,200	332,200	332,200	332,200	332,200
Balance Forward Out	80,729	85,050	92,621	92,621	92,613	92,598	92,613	92,598
Expenditures	348,463	286,011	246,132	332,200	332,208	332,215	332,208	332,215
Biennial Change in Expenditures				(56,143)		86,091		86,091
Biennial % Change in Expenditures				(9)		15		15
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	1.81	1.66	1.60	1.90	1.90	1.90	1.90	1.90

5600 - State Employees Insurance

Balance Forward In	479,401	435,718	482,729	486,917	434,565	377,564	434,565	377,564
Receipts	1,046,336	1,172,239	1,235,084	1,272,591	1,350,130	1,444,218	1,350,130	1,444,218
Transfers In	14,939	16,641	29,590	1,400	1,441	1,561	1,441	1,561
Transfers Out	14,995	16,703	29,590	1,400	1,441	1,561	1,441	1,561
Balance Forward Out	435,004	482,112	486,915	434,565	377,564	331,208	377,564	331,208
Expenditures	1,090,677	1,125,782	1,230,897	1,324,943	1,407,131	1,490,574	1,407,131	1,490,574
Biennial Change in Expenditures				339,380		341,865		341,865
Biennial % Change in Expenditures				15		13		13
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	44.76	49.62	48.83	56.40	56.40	56.40	56.40	56.40

6000 - Miscellaneous Agency

Balance Forward In	9,773	10,467	8,563	9,904	9,870	9,870	9,870	9,870
Receipts	39,666	38,718	42,415	41,755	41,755	41,755	41,755	41,755
Balance Forward Out	10,467	8,563	9,905	9,870	9,870	9,870	9,870	9,870
Expenditures	38,972	40,622	41,073	41,789	41,755	41,755	41,755	41,755
Biennial Change in Expenditures				3,267		648		648
Biennial % Change in Expenditures				4		1		1
Governor's Change from Base								0
Governor's % Change from Base								0

Minnesota Management and Budget

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and ALN	Federal Grant Name Brief Purpose	FY 2024 Actual	FY 2025 Revised	FY 2026 Revised	FY 2027 Revised	Required State Match or MOE?	Legal Authority other than M.S. 3.3005	FTEs
United States Department of Health and Human Services (HHS) 93.959	Block Grants for Prevention and Treatment of Substance Abuse - Work with community-based providers to participate in the convening, which could include reimbursement for travel expenses such as mileage and lodging.	\$ 55	\$ -	\$ -	\$ -	No		0.1
Department of Health and Human Services (HHS) 93.959	Block Grants for Prevention and Treatment of Substance Abuse - MMB sub-grantee to perform Naloxone Saturation Analysis in Minnesota.	\$ 28	\$ -	\$ -	\$ -	No		0
	Federal Fund [3000] – Agency Total	\$ 83	\$ -	\$ -	\$ -			0.1
US Department of Treasury 21.027	Coronavirus State and Local Fiscal Recovery Funds - Federal covid funding is received to cover the costs of the federal single audit.	\$ 31	\$ 62	\$ -	\$ -	No		0
US Department of Treasury 21.027	Coronavirus State and Local Fiscal Recovery Funds - Federal covid funding is received to cover the costs for the provision of government services.	\$ -	\$ 125	\$ -	\$ -	No		1
	American Rescue Plan State Fiscal Recovery [3015] Fund – Agency Total	\$ 31	\$ 187	\$ -	\$ -			1.0
	Federal Funds – Agency Total	\$ 114	\$ 187	\$ -	\$ -			1.1

Narrative

Federal funds are received from the US Department of the Treasury for receipts related to Coronavirus State and Local Fiscal Recovery Funds single audit costs. The federal fund basis for estimates are prior year costs. The federal funding does not have flexibility in how the funds are spent and is specifically earmarked for Coronavirus State and Local Fiscal Recovery Funds single audit costs.

Federal funds are received from the Department of Health and Human Services (HHS) related to Naloxone Studies within the Block Grants for Prevention and Treatment of Substance Abuse. The federal funding does not have flexibility in how the funds are spent and is specifically earmarked for Naloxone work.

Minnesota Management and Budget

Statewide Services

Management Analysis (5200 Fund)

Revenues, Expenses and Changes in Net Assets

(Dollars in Thousands)

	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027
Operating Revenues:				
Net Sales				
Rental and Service Fees	14,605	16,396	16,396	16,396
Insurance Premiums				
Other Income	1,241	1,289	1,289	1,289
Total Operating Revenues	15,846	17,685	17,685	17,685
Gross Margin	15,846	17,685	17,685	17,685
Operating Expenses:				
Purchased Services	10,148	10,757	10,757	10,757
Salaries and Fringe Benefits	5,522	6,281	6,599	5,828
Claims				
Depreciation				
Amortization				
Supplies and Materials	71	96	96	96
Indirect Costs	387	419	419	419
Repairs and Maintenance	3	3	3	3
Grants, Aids and Subsidies				
Other Expenses	4	4	4	4
Total Operating Expenses	16,134	17,560	17,878	17,107
Operating Income (Loss)	(288)	125	(193)	578
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financing Costs				
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	0	0	0	0
Income (Loss) Before Transfers and Contributions	(288)	125	(193)	578
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	(288)	125	(193)	578
Net Assets, Beginning as Reported	1,275	987	1,112	919
Net Assets, Ending	987	1,112	919	1,497
Rate increase/(decrease)	10%	7%	0%	0%
Full Time Equivalents (FTE)	42.5	42.5	42.5	42.5

Minnesota Management and Budget

Statewide Services

Management Analysis (5200 Fund)

Net Assets

(Dollars in Thousands)

	Actual FY 2024	Projected FY 2025
ASSETS		
Current Assets:		
Cash and Cash Equivalents	(413)	(68)
Investments		
Accounts Receivable	3,347	3,165
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	2,934	3,097
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)		
Total Noncurrent Assets	0	0
Total Assets	2,934	3,097
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,947	1,985
Interfund Payables		
Unearned Revenue		
Loans Payable		
Compensated Absences Payable		
Total Current Liabilities	1,947	1,985
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable		
Other Liabilities		
Total Noncurrent Liabilities	0	0
Total Liabilities	1,947	1,985
NET ASSETS		
NET ASSETS	987	1,112
Invested in Capital Assets, Net of Related Debt		
Unrestricted	987	1,112
Total Net Assets	987	1,112

Minnesota Management and Budget

Statewide Services

Management Analysis (5200 Fund)

Brief Narrative

Background:

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

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

Not Applicable

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

Not Applicable

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

Change in ETD's net assets is a result of updated rate changes for upfront billing to agencies and modifications to our Rate Schedule to support strategic initiatives for diversity, equity and inclusion as well as new service options for virtual, hybrid and on-premises work environments. Any future rate changes for MAD would be based on an approved business plan.

Explain any reasons for rate changes:

Any ETD rate changes for the upcoming biennium will be the result of changes in strategic direction or inflationary impacts for services procured. Any future rate changes for MAD would be based on an approved business plan.

Impact of rate changes on affected agencies:

ETD Client Agencies will see small adjustments to rates as required by market adjustments to the economy. State agencies use MAD based on their needs and budget.

Minnesota Management and Budget

Employee Insurance

State Employees Insurance (5600 Fund)

Revenues, Expenses and Changes in Net Assets

(Dollars in Thousands)

	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027
Operating Revenues:				
Net Sales	1,202,408	1,262,521	1,339,998	1,434,021
Rental and Service Fees				
Insurance Premiums				
Other Income	9,752	10,070	10,132	10,197
Total Operating Revenues	1,212,160	1,272,591	1,350,130	1,444,218
Gross Margin	1,212,160	1,272,591	1,350,130	1,444,218
Operating Expenses:				
Purchased Services	95,499	95,682	98,005	101,377
Salaries and Fringe Benefits	6,080	6,489	6,683	6,884
Claims	1,136,059	1,221,770	1,301,409	1,381,249
Depreciation				
Amortization				
Supplies and Materials	20	25	26	26
Repairs and Maintenance	3	3	4	4
Indirect Costs	516	517	533	549
Other Expenses	445	457	471	485
Total Operating Expenses	1,238,622	1,324,943	1,407,131	1,490,574
Operating Income (Loss)	(26,462)	(52,352)	(57,001)	(46,356)
Nonoperating Revenues (Expenses):				
Investment Income	23,513	16,651	14,476	12,468
Interest and Financing Costs				
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	23,513	16,651	14,476	12,468
Income (Loss) Before Transfers and Contributions	(2,949)	(35,701)	(42,525)	(33,888)
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	(2,949)	(35,701)	(42,525)	(33,888)
Net Assets, Beginning as Reported	429,788	426,839	391,138	348,613
Net Assets, Ending	426,839	391,138	348,613	314,725
Rate increase/(decrease)	3.07%	4.25%	6.04%	6.70%
Full Time Equivalents (FTE)	53.8	56.7	56.7	56.7

Minnesota Management and Budget

Employee Insurance

State Employees Insurance (5600 Fund)

Net Assets

(Dollars in Thousands)

	Actual FY 2024	Projected FY 2025
ASSETS		
Current Assets:		
Cash and Cash Equivalents	495,694	448,874
Investments		
Accounts Receivable	54,237	75,906
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	549,931	524,781
Noncurrent Assets:		
Deferred Costs (Deferred Outflows)	1,301	1,301
Depreciable Capital Assets (Net)		
Total Noncurrent Assets	1,301	1,301
Total Assets	551,232	526,082
LIABILITIES		
Current Liabilities:		
Accounts Payable	20,311	17,867
Interfund Payables		
Unearned Revenue	5,044	525
Loans Payable		
Claims Payable	95,911	113,425
Compensated Absences Payable	83	83
Other Postemployment Benefits	20	20
Total Current Liabilities	121,369	131,919
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	660	660
Other Postemployment Benefits	300	300
Net Pension Liability	1,039	1,039
Other Liabilities (Deferred Inflows)	1,025	1,025
Total Noncurrent Liabilities	3,024	3,024
Total Liabilities	124,393	134,943
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	426,839	391,138
Unrestricted	426,839	391,138
Total Net Assets	426,839	391,138

Minnesota Management and Budget

Employee Insurance

State Employees Insurance (5600 Fund)

Brief Narrative

Background:

SEGIS administers insurance benefits for over 130,000 employees and retirees and their dependents. Medical and Dental insurance are self insured with the remaining insurance benefits provided on a fully insured basis. Insurance benefits are administered on a calendar year basis. During FY24, Medical Insurance Premiums represented 89% of the Premiums collected by SEGIS.

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

None

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

None

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

The decrease in Net Assets in FY24 primarily reflects net loss in the Medical Plan (-\$2,265,000) due to planned reserve draw down.

Explain any reasons for rate changes:

Increases in Premiums reflect a composite change in the cost of insurance benefits. Changes are implemented on a Plan (calendar) Year basis. The increase in Medical Premiums was based on projected medical claims increases of 6.3% from 2022-2023 and 6.7% from 2023-2024. Dental Premiums increased based on projected claims increases of 10.2% from 2022-2023 and 2.9% from 2023-2024. Rates for the fully insured life, vision and disability insurance are set through MMB negotiations with the carrier.

Impact of rate changes on affected agencies:

Insurance benefits paid by agencies are projected to increase by 5.38% during PY 25, and 6.69% during PY 26.