

Minnesota 1994-95 Biennial Budget

State
Government

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Presented by
Governor Arne H. Carlson
to the
78th Legislature

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1994-95 BIENNIAL BUDGET
-INDEX-
STATE GOVERNMENT

	<u>Page Number</u>		<u>Page Number</u>
Administration, Department of	E-1	<u>Courts</u>	
Administrative Hearings, Office of	E-125	Court of Appeals	E-463
Amateur Sports Commission	E-136	District Trial Courts	E-469
Capitol Area Architectural and Planning, Board of	E-143	Supreme Court	E-482
Employee Relations, Department of	E-150	<u>Judicial Boards</u>	
Finance, Department of	E-194	Client Security, Board of	E-504
Tort Claims	E-225	Continuing Legal Education, Board of	E-506
Contingent Accounts	E-228	Legal Certification, Board of	E-508
Restructuring and Staff Redeployment	E-231	Judicial Standards, Board of	E-510
Investment, Board of	E-233	Law Examiners, Board of	E-516
<u>Legislature/Commissions</u>	E-242	Lawyers Professional Responsibility, Board of	E-518
House		Public Defense, Board of	E-520
Senate		Minnesota Tax Court	E-540
Legislative Commissions		Human Rights, Department of	E-546
Legislative Rent	E-252	Veterans Affairs, Department of	E-567
Military Affairs, Department of	E-255	Gaming, Department of	E-581
Public Employees Relations, Board of	E-287	Gambling Control, Board of	E-583
<u>Public-Local Employees Retirement</u>		Lottery	E-591
Minneapolis Pension Retirement Association	E-289	Racing Commission	E-596
Minnesota State Retirement System	E-291	Ethical Practices, Board of	E-602
Public Employees Retirement Association	E-300	Minnesota Municipal, Board of	E-606
Teachers Retirement Association	E-303	Historical Society	E-613
Local Police-Fire Amortization	E-307	Humanities Commission	E-689
Revenue, Department of	E-309	Arts, Board of	E-691
Disabled American Vets	E-339	Uniform Laws Commission	E-714
Purple Heart, Military Order of	E-341	Debt Service	E-717
Veterans of Foreign Wars	E-343	Mediation Services, Bureau of	E-718
Strategic & Long Range Planning, Office of	E-345	Workers Compensation Court of Appeals	E-728
<u>Constitutional Officers</u>			
Treasurer's Office	E-353		
Governor's Office	E-363		
State Auditor	E-370		
Attorney General	E-389		
Secretary of State	E-438		

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1994-95 ANNUAL BUDGET

PROGRAM STRUCTURE

AGENCY: ADMINISTRATION, DEPARTMENT OF

PROGRAM

PAGE

OPERATIONS MANAGEMENT

E-13

Risk Management
Materials Management
Travel Management
Print Communications
MN Office on Volunteer Services (MOVS)
Office of Dispute Resolution

INTERTECHNOLOGIES GROUP

E-42

Computer Fund
Micrographics/Records Center
Telecommunications
9-1-1 Emergency Services
Land Management Information Center (LMIC)

FACILITIES MANAGEMENT (formerly Property Management)

E-66

Real Estate Management
Plant Management
Building Codes & Standards
Building Construction
Energy Conservation

ADMINISTRATIVE MANAGEMENT

E-83

Fiscal & Personnel Services
Executive Support
Public Broadcasting
Minnesota Public Radio
Twin Cities Regional Cable Channel
Developmental Disabilities Council
System of Technology to Achieve Results (STAR)
State Employee Assistance Program (EAP)
Oil Overcharge

INFORMATION POLICY OFFICE

E-109

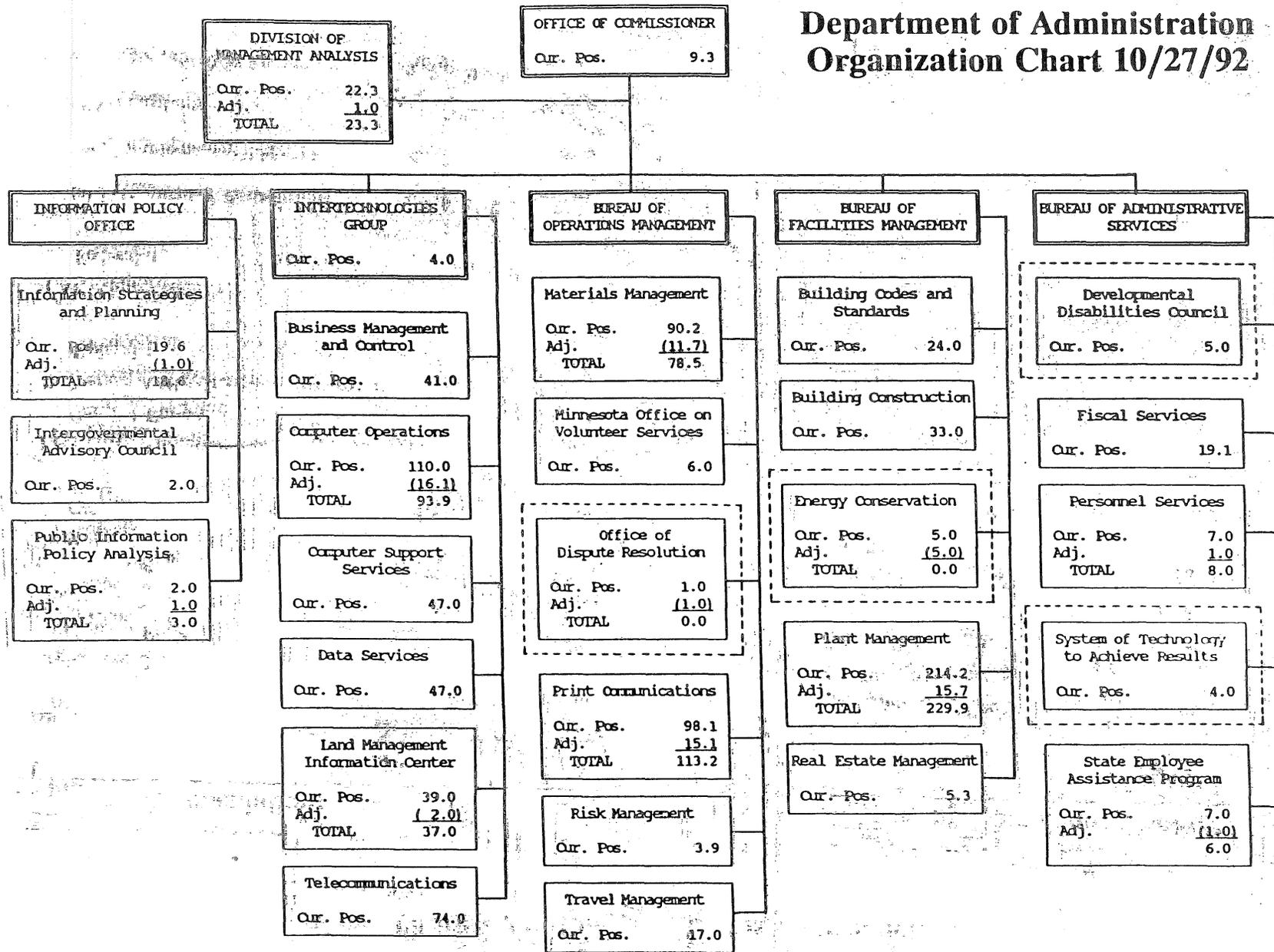
Information Strategies and Planning
Public Information Policy Analysis (PIPA)
Intergovernmental Information Systems Advisory Council (IISAC)

MANAGEMENT ANALYSIS

E-120

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Department of Administration Organization Chart 10/27/92



Department of Administration

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	267.0	255.0
Special Revenue	46.0	55.0
Revolving	630.0	634.0
Federal	4.0	8.0
Gift	1.0	1.0
Legislative Authorized:		
General Fund	5.0	
Budgetary Authorized:		
Federal	4.0	
LAC Approved:		
Federal	<u>0.0</u>	
Total Permanent Positions	<u>957.0</u>	<u>953.0</u>
Other Complement (FTE)	85.0	85.0
TOTAL Positions	<u>1,042.0</u>	<u>1,038.0</u>
Employees on 6/30/92	936.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	836
Full-Time Temporary	59
Full-Time Emergency	2
Full-Time Seasonal	0
Part-Time Unlimited	18
Part-Time Temporary	21
Part-Time Seasonal	<u>0</u>

TOTAL 936

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Administration, Department of

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$17,324	\$17,380	\$34,704
Forecast Adjustments	82	82	164
AGENCY BASE	\$17,406	\$17,462	\$34,868
Inflation Cost Increase	<u>533</u>	<u>1,075</u>	<u>1,608</u>
Agency Management Decisions			
Agency Operations:			
Operations Management:			
Full Funding: MOVS	\$ 14	\$ 14	\$ 28
Full Funding: Print Buyer	26	26	52
Investment: Central Mail	0	0	60
Fee Based: Risk Management	(68)	(137)	(205)
Fee Based: Dispute Resolution	(79)	(79)	(158)
Eliminate: Elec. Equipment Rental	(134)	0	(134)
Efficiency/Restructure: Materials Mgmt.	(53)	(401)	(454)
Subtotal:	<u>\$(234)</u>	<u>\$(577)</u>	<u>\$(811)</u>
InterTechnologies Group:			
Fee Based: LMIC	\$(341)	\$(609)	\$(950)
Eliminate: Telecomm Policy Office	(79)	(79)	(158)
Efficiency/Restructure: Telecommunications	(84)	(84)	(168)
Subtotal	<u>\$(504)</u>	<u>\$(772)</u>	<u>\$(1,276)</u>
Facilities Management:			
Fee Based: Repair and Replacement	\$(175)	\$(175)	\$(350)
Efficiency/Restructure: Energy Conservation	(35)	(35)	(70)
Efficiency/Restructure: Bldg. Construction	(147)	(147)	(294)
Efficiency/Restructure: Building Codes	(151)	(151)	(302)
Subtotal	<u>\$(508)</u>	<u>\$(508)</u>	<u>\$(1,016)</u>
Administrative Management:			
Efficiency/Restructure: Exec. Support	\$(81)	\$(81)	\$(162)
Efficiency/Restructure: Employee Asst.	(16)	(16)	(32)
Subtotal	<u>\$(97)</u>	<u>\$(97)</u>	<u>\$(194)</u>
Information Policy Office:			
Efficiency/Restructure: Public Information Policy Office	53	53	106
Efficiency/Restructure: Information Strategies and Planning	56	56	112

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
Efficiency/Restructure: Information Strategies and Planning	(97)	(98)	(195)
Efficiency/Restructure: IISAC	(10)	(10)	(20)
Subtotal	<u>\$2</u>	<u>\$1</u>	<u>\$3</u>
Management Analysis:			
Efficiency/Restructure: Mgmt. Analysis	\$(40)	\$(42)	\$(82)
Grants:			
Administrative Mgmt: Public Broadcasting	\$(85)	\$(86)	\$(171)
Information Policy Office: IISAC	(3)	(3)	(6)
Subtotal	<u>\$(88)</u>	<u>\$(89)</u>	<u>\$(177)</u>
Total Agency Decisions	<u>\$(1,469)</u>	<u>\$(2,084)</u>	<u>\$(3,553)</u>
TOTAL AGENCY PLAN	\$16,470	\$16,453	\$32,923
Governor's Initiatives			
Dispute Resolution Funding	\$20	\$20	\$40
Statewide Recycling Center	\$225	\$225	\$450
EDI Initiative for Contract Purchases	557	286	843
Telecommunication Investment Strategy	2,325	1,125	3,450
Customer Service Centers	1,000	2,000	3,000
Public Safety Relocation	212	-0-	212
Salary Planning Estimates	(394)	(393)	(787)
Subtotal	<u>\$3,925</u>	<u>\$3,243</u>	<u>\$7,168</u>
	<u>\$3,945</u>	<u>\$3,263</u>	<u>\$7,208</u>
GOVERNOR'S RECOMMENDATION	<u>\$20,395</u>	<u>\$19,696</u>	<u>\$40,091</u>
	<u>\$20,415</u>	<u>\$19,716</u>	<u>\$40,131</u>

Brief Explanation of Agency's Overall Actions:

The coincidence of biennial budget planning with Administration's comprehensive strategic and business planning effort offered a unique opportunity to tailor proposed budget reductions within the context of the newly defined Administration mission. As contrasted with across-the-board cuts, this budget proposal for the most part reflects the impact of specific business decisions. We were also able to establish specific budget priorities and fold such priorities into the larger strategic picture. These included, in priority order, preserving life, safety and health; the desire to minimize layoffs; emphasis on training and development; and preventive measures to minimize rework, damage and future costs.

In addition, we established a set of ground rules by which all proposed reductions were to be measured. This included the fundamental premise that all funds and activities were on the table, and that we would provide adequate resources to those core businesses which had historically been underfunded (which means that, for certain activities, we are actually seeking more money). It also meant that cuts had to be rational, equitable, and proportional among line staff and management.

The Department of Administration proposes a new focus for the future—an emphasis not only on improving the quality and productivity of our customers' operations but of modeling innovation, efficiency and outstanding customer service. We believe that the targeted budget reductions now proposed do not prevent the implementation of that goal.

OPERATIONS MANAGEMENT

- Full Funding, \$80,000: This increase in funds has been provided to 2 areas: the Minnesota Office on Volunteer Services (\$28,000), and the print buyer function (\$52,000), now in the Materials Management Division. Over the last few years, these areas were underfunded, i.e., adjustments to salary and rent dollars were never made permanent in their base. Year-end savings from within this bureau have historically been used to fund the deficit. We have moved base dollars to them so these cost centers will now display the true costs associated with their operation.
- Investment, \$60,000: These funds have been provided to Central Mail for the investment in a barcode reading hardware and software billing system. This system will increase processing of same-day mail from 95% to 98-100% and will reduce the overtime cost in processing mail. It will also reduce staff time spent on billing in state agencies as well as Central Mail.
- Risk Management, \$203,000: This cut reflects a strategic decision to convert this division to a revolving fund. Future funding would come from an increase in the liability coverage of automobiles. There is no expected change in service or outcome.
- Dispute Resolution, \$157,690: This cut reflects a strategic decision to transfer this operation to the Management Analysis Division and fund it on a revolving basis. There is no expected change in service or outcome.
- Materials Management, \$454,247: This division is currently conducting a strategic planning process, making it difficult to specifically state expected outcomes resulting from this cut. However, some possible changes include: longer contract development time; fewer new contracts developed; more contract extensions rather than renegotiation; longer through-put on purchase orders; more delegation of authority to agencies for purchasing resulting in potential adverse impacts on small business and environmental purchasing; reduced customer and vendor service; and streamlined processes.
- Electronic Equipment Rental, \$134,000: This operation will be eliminated with service being delivered through a contract for electronic equipment rental. There is no expected change in service or outcome.

INTERTECHNOLOGIES GROUP

- Telecommunications General Fund, \$168,268:
 1. Legislative In-WATS, \$66,000: The cost and responsibility for In-WATS service for legislators has been transferred to the legislature.
 2. Press phones, \$6,000: If press phones are needed, the press will pay for the cost on their own.

3. Directory, \$46,000: There will be increased calls to the communications center because the directory is out of date, and the on-line directory must be kept current even though a printed version is not published.
 4. \$37,268: Hold vacant capitol communications assistant position open; the result will be a decreased level of responsiveness to incoming calls.
 5. \$13,000: Reduction in training, travel, and seminar expenses will result in reduced customer service on installations and inability to improve skills at a rate to keep current with technology.
- LMIC, \$950,076: Outcome unavailable at this time pending completion of study to determine relative portion of general fund and revolving fund business in LMIC.
 - Office of Telecomm Policy, \$157,796: Resources to support agencies and Public Utilities Commission on investigation, development and evaluation of policies affecting telecommunications in the state of Minnesota will no longer be available.

FACILITIES MANAGEMENT

- Energy Conservation, \$70,000: This cut represents the net savings of refocusing and restructuring the division's activities: the division will focus on higher payback activities such as the energy conservation loan program. In restructuring the division activities, 1 professional-level position was added to staff the energy conservation loan program; 2 management jobs were eliminated.
- Repair and Replacement, \$350,000: This reduction in general funds means the maintenance work in this category to be done by Plant Management will be paid out of lease revenues. No loss of service or quality is anticipated.
- Building Construction, \$294,167: This is based on a decrease in contract services and holding 1 position open. May reduce present capacity to respond timely on projects designed in-house. Contract inspections will be limited to most critical projects. As automation (computer-aided design) increases, greater efficiencies may be achieved.
- Building Codes, \$303,200: Division plan calls for leaving 1 position vacant and reducing contract inspection services since staff will be required to inspect more projects. This could result in longer turnaround time for plan review and inspections. Training, direct assistance, and monitoring of local building officials will improve the statewide administration and enforcement of the building code.

ADMINISTRATIVE MANAGEMENT

- Executive Support, \$161,958: Two positions will be held vacant, requiring greater sharing of support staff and use of internal mobility assignments for special projects. Non-salary costs will also be reduced to a minimum.
- Public Broadcasting, \$170,969:
 1. Public TV, \$125,300: This reduction will result in each station's losing matching funds from the federal government and possible other sources. The outcome of this is that fewer educational, children's, cultural and public affairs programs will be shown.
 2. Public Radio, \$31,669: This reduction will be taken in the areas of personnel costs, operating costs, and obsolete equipment, all necessary costs of keeping public radio stations on the air. It impairs the ability of some stations to qualify for Corporation for Public Broadcasting grants. It could put the continued operation of 1 or more of the AMPERS stations in peril.
 3. Minnesota Public Radio, \$14,000: MPR has grants from the Public Telecommunications Facilities Program for equipment projects totaling just over \$1 million. The federal government share of those projects totals \$508,000 and MPR's share is \$498,672. The 5% cut (\$14,000) will make it more difficult to earn the full amount of the federal grant dollars.

- Employee Assistance Program, \$31,985: Loss of .7 FTE through attrition resulting in slightly longer waiting periods for counseling services.

INFORMATION POLICY OFFICE

- Efficiency/Restructure, \$218,000: These increases in funds resulted from the transfer of 1 position in LMIC to Information Strategies and Planning in IPO (\$112,000), and transfer of 1 position in Information Strategies and Planning to the Public Information Policy Analysis (PIPA) both within IPO (\$106,000). The position transferred from LMIC is a geographic information system (GIS) policy position; as such, its placement in IPO is a good fit with IPO's charge to develop policies related to information management. This position will also support the Council on Geographic Information and coordinate IPO policy and standards development activity with council activities. The other position deals with records management and is now being integrated into PIPA. This office has begun to take a more holistic view of state policies related to data.
- Information Strategies and Planning, \$195,322:
 - \$143,016: Two divisions within the IPO have been combined—eliminating 1 director position. The Minnesota Milestone goal, "government in Minnesota will be more efficient," will be accomplished by providing a more cohesive strategy for program delivery and will allow the new division to maximize resources. More consistent communication should result, as well as improved coordination leading to improved customer service.
 - \$52,306: Because of the difficulty in finding qualified candidates to fill a planning director, state architect position, 1 position will not be filled. Architecture development and implementation will be done by working with data communities (a group of public and private organizations that have a business need to share data and, therefore, a need to manage data cooperatively). IPO will support community work but representatives from communities will need to do the actual work. Through the work of these data communities, the state will realize both quality and productivity improvements in the management of state information systems.
- Intergovernmental Information Systems Advisory Council (IISAC), \$26,738: This cut will reduce the amount of grant funds that IISAC will be able to award for Information System (IS) education and innovative IS projects and will require that grant requests will be scrutinized closely to ensure that only those that are most worthwhile will receive funding.

MANAGEMENT ANALYSIS

- \$82,328: This cut will reduce the level of services provided to the governor, legislature, and commissioner of administration by 3 consultants during the biennium. The services are: providing executive level consulting service to the governor and his cabinet, conducting studies directed by the legislature, conducting special assignments as directed by the commissioner of administration.
- \$2,000: This cut will reduce the amount available for governor-elect and attorney general-elect transition services.

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	
2. Impact on Staffing: Positions left Vacant or Eliminated	10.7	10.7	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
3. Impact on Revenue Generation:			
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-
4. Affected Statutes: None.			
5. Governor's Recommendation			
<p>The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: a biennial increase in funding above the agency plan level of \$450,000 for a Statewide Recycling Center; a biennial increase of \$843,000 for a Statewide EDI Initiative for Contract Purchases; a biennial increase of \$3,450,000 for an Advanced Telecommunication Investment Strategy; a biennial increase of \$3,000,000 for the planning and design of Customer Service Centers; and a biennial increase of \$212,000 for relocation funds, which are proposed in the Capital Budget and represent the General Fund portion, to move a majority of the Department of Public Safety out of the state-owned Transportation Building to an alternate location to facilitate building improvements. The Governor also recommends that proposed funding be reduced due to salary planning estimates <u>and a biennial increase of \$40,000 for Dispute Resolution activity.</u></p>			

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1994-1995 B I E N N I A L B U D G E T
INVESTMENT INITIATIVES
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) ADVANCED TELECOMM INVESTMENT STRATEGY	GEN	2,325	1,125	3,450			
(A) INTERGOVERNMENTAL INFO SYSTEM	LGT	850	850	1,700			
(A) SALARY PLANNING ESTIMATES	GEN	<394>	<393>	<787>			
(B) STATE RECYCLING CENTER FUNDING	GEN	225	225	450			
	PM				106	115	221
(B) STATEWIDE EDI INIT FOR CONTRACT PURCHASING	GEN	557	286	843			
(B) DISPUTE RESOLUTION FUNDING	GEN	20	20	40			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING	MET	<710>		<710>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING	MNR	<90>		<90>			
(B) AGENCY RELOCATION	GEN	212		212			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING	SGS	<880>		<880>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING	SGS	<294>		<294>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING	SGS	<230>		<230>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING	SGS	<78>		<78>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING	SGS	<150>		<150>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING	SGS	<380>		<380>			
(B) CUSTOMER SERVICE CENTERS	GEN	1,000	2,000	3,000			
TOTAL BY FUND	GEN	3,945	3,263	7,208			
	MET	<710>		<710>			
	LGT	850	850	1,700			
	MNR	<90>		<90>			
	SGS	<2,012>		<2,012>			
	PM				106	115	221
TOTAL INVESTMENT INITIATIVES		1,983	4,113	6,096	106	115	221

AGENCY: Administration, Department of

MISSION STATEMENT:

The mission of Minnesota's Department of Administration (Admin) is derived from its extensive departmentwide strategic planning concluded in F.Y. 1992: "to improve the quality and productivity of Minnesota government." We provide our customers in state and local agencies with business management and administrative services that enable those agencies better to serve the public.

MINNESOTA MILESTONES:

Minnesota Milestones envisions a Minnesota government that will be more efficient. Through its core businesses of information policy and management, facilities management, operations, management analysis and organizational development, and government reform through the Commission on Reform and Efficiency, Admin is committed to improving not only the efficiency of our customers but their effectiveness as well.

CLIMATE:

Through a strategic planning activity, which encompassed ideas and feedback from employees, managers, customers, legislative staff, and a host of other constituents, the reorganized Department of Administration portrayed in this budget proposal is more strategic, efficient and effective. Activities which no longer support the mission have been eliminated. Others have been combined for greater effectiveness. Some have been transferred to other agencies with more appropriate strategic fit. Still others have been dramatically reorganized internally, so that the mission is ensured. And, prior to the start of the next biennium, certain activities will be benchmarked with alternative service delivery methods. The possibility of privatization of 4 such operations (building services, central stores, printing services and motor pool) will be thoroughly examined and all reasonable alternatives, which ensure high quality and yet provide ethical wages and benefits to those who perform the work, will be considered.

The departmental vision for the future embraces everything we are striving to accomplish through this plan, including the budget presentation included here. We must use our ever-declining resources more wisely and effectively and must acknowledge that those we serve are similarly constrained. Our objective is to provide services of such effectiveness and quality that Admin will be regarded as the supplier of choice, not mandate.

As an agency which advises other agencies on management practices, it is critical that our own practices be fundamentally sound. We are earnest in our aim to be a "model business operation, a leader in the management of Minnesota government and a world-class organization by any measure" (Admin vision statement, December 1991). This is an ambitious undertaking, and we acknowledge that our organization has hard work ahead to instill business discipline, develop real customer service attitudes, and produce "a workplace that is safe, healthy, nurturing and productive, where every employee's work is valued, and all employees are inspired to perform to their fullest potential" (vision statement).

We are making tangible progress toward this ambitious goal. Improvement in business discipline is apparent in prompt payment, receivables collection, more rational rate setting, detailed quarterly management operations reviews, and a commitment to doing things right—the first time. A healthy workplace will develop, we believe, as we involve line employees in decision making and provide the most thorough employee communications in state government, arming employees with the information they need to do their jobs. We are benchmarking the private sector and are seeking high payoff investments in central mail and electronic data interchange on the basis of that benchmarking. As noted above, we will pursue benchmarking further as we consider possible privatization in 4 operations. We are taking stronger leadership roles in such areas as: a more strategic focus on property management, through capital budget reform; energy conservation, through implementation of a substantial private sector loan fund for energy improvements in state buildings; through a department-led initiative to bring greater rationality to building regulations throughout state government; through information management and policy, as we move toward a more open environment and consolidated data bases; toward substantive reforms throughout state government as a result of the work of the Commission on Reform and Efficiency, as it examines executive branch reorganization, administrative systems, program delivery in such areas as human services and the environment, and leads the Governor's statewide total quality initiative; and through assisting a host of other agencies as they implement bold organizational reforms with the consulting assistance of the Management Analysis Division.

In sum, the Department of Administration has pledged to its customers—other agencies and departments at the state and local government level—that our task is to make their lives easier, to provide needed administrative and management services that enable not burden, and to provide leadership in management systems that support the Carlson-Dyrstad commitment and the Milestones objective for a more effective state government.

AGENCY BUDGET PLAN:

As part of our strategic planning and budget activities, we established (and published) our priorities. They included a set of 5 strategic planning criteria for each enterprise: 1) primary customers must be state or local governments; 2) products and services must improve quality and productivity of customers; 3) the enterprise must be sound financially; 4) Admin must be the best strategic fit; and, 5) the enterprise must meet a relevant and appropriate legislative mandate. Our budget priorities were simple. In order, we 1) preserved life safety and health; 2) minimized layoffs; 3) ensured adequate training and development funds; and, 4) emphasized preventive measures. Among our budget ground rules, we ensured that all activities were on the table. We also acknowledged that certain activities had been historically underfunded, and we wanted to eliminate misleading subsidization of 1 activity by another.

The department's strategic planning effort culminated in a number of actions with cost-saving effects. This includes the elimination of activities and the return of contributed capital to the general fund, the reduction of management positions, the conversion of activities to revolving fund—to be supported by customer usage and fees, and the consolidation of other activities, all as described in the following budget narratives.

In addition to the strategic planning savings, other cost reductions and efficiencies as described in the narratives will provide the budget reductions needed. However, consistent with our budget guidelines, this was not an across-the-board cutting exercise. Some activities, in fact, are requesting additional monies in their base. This reflects either the outcome of strategic planning or the need to fully fund operations which have been historically subsidized by others. In one case, for example,

AGENCY: Administration, Department of
(Continuation)

a budget addition is required merely to cover the cost of salaries and rent of a small staff (MOVS [Minnesota Office on Volunteer Services]). Finally, we have asked our revolving fund activities to impose the same level of cost controls we are imposing on general funds. These cost controls will be reflected in the rates charged agencies for Admin services.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: a biennial increase in funding above the agency plan level of \$450,000 for a Statewide Recycling Center; a biennial increase of \$843,000 for a Statewide EDI Initiative for Contract Purchases; a biennial increase of \$3,450,000 for an Advanced Telecommunication Investment Strategy; a biennial increase of \$3,000,000 for the planning and design of Customer Service Centers; and a biennial increase of \$212,000 for relocation funds, which are proposed in the Capital Budget and represent the General Fund portion, to move a majority of the Department of Public Safety out of the state-owned Transportation Building to an alternate location to facilitate building improvements. The Governor also recommends that proposed funding be reduced due to salary planning estimates and a biennial increase of \$40,000 for Dispute Resolution Activity.

LCMR Projects:

The Governor acknowledges the process and allocations of the Legislative Commission on Minnesota Resources; Commission recommendations are reflected in agency plans. However, the Governor encourages the Legislature to review allocations of LCMR funds within the context of the overall budget. The Governor has prepared alternative recommendations that build upon the Commission's allocations in areas that coincide with the Governor's environmental priorities. See the LCMR section in the Environment and Natural Resources budget volume for overall comparison of Commission recommendations with the Governor's proposals.

Local Government Trust Fund:

The Governor recommends a biennial increase of \$1,700,000 from the Local Government Trust Fund over the F.Y. 1993 spending level to meet current law goals for development of an intergovernmental information system.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1991			FY 1992			FY 1993			FY 1994			FY 1995		
	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
OPERATIONS MANAGEMENT	13,732	14,465	16,695	16,428	16,346	17,038	16,433	16,162	16,589						
INTERTECHNOLOGIES GROUP	5,692	8,904	9,913	7,511	7,867	9,346	7,510	6,860	7,943						
FACILITIES MANAGEMENT	5,417	11,691	6,444	6,287	6,027	6,122	6,289	6,193	6,071						
ADMINISTRATIVE MANAGEMENT	4,838	6,287	6,353	5,565	7,469	5,398	5,568	5,537	5,476						
INFORMATION POLICY OFFICE	1,455	1,394	2,075	2,037	2,091	3,894	2,036	2,145	4,946						
MANAGEMENT ANALYSIS	1,751	2,101	2,852	1,229	1,215	1,200	1,277	1,289	1,274						
TOTAL EXPENDITURES BY PROGRAM	32,885	44,842	44,332	39,057	41,015	42,998	39,113	38,186	42,299						
SOURCES OF FINANCING:															
DIRECT APPROPRIATIONS:															
ENVIRONMENT TRUST		244	1,856		710										
LOCAL GOVERNMENT TRUST			350	350	350	1,200	350	350	1,200						
GENERAL	15,872	17,123	20,217	17,324	16,470	20,415	17,380	16,453	19,716						
MN RESOURCES		323	333		90										
STATE GOVT SPEC REV					2,012										
HEALTH CARE ACCESS			27												
STATUTORY APPROPRIATIONS:															
STATE GOVT SPEC REV	4,653	5,519	4,260	4,160	4,160	4,160	4,160	4,160	4,160						
SPECIAL REVENUE	1,570	2,841	2,913	2,913	2,913	2,913	2,913	2,913	2,913						
FEDERAL	801	6,184	2,833	2,833	2,833	2,833	2,833	2,833	2,833						
NE MN ECONOMIC PROT	4														
AGENCY	9,674	10,271	11,202	11,202	11,202	11,202	11,202	11,202	11,202						
GIFTS AND DEPOSITS	311	2,337	341	275	275	275	275	275	275						
TOTAL FINANCING	32,885	44,842	44,332	39,057	41,015	42,998	39,113	38,186	42,299						
POSITIONS BY FUND:															
GENERAL	239.6	267.0	270.0	270.0	258.0	273.0	270.0	255.0	270.0						
STATE GOVT SPEC REV	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1						
SPECIAL REVENUE	19.1	40.9	40.9	40.9	49.9	49.9	40.9	49.9	49.9						
FEDERAL		8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0						
RISK MANAGEMENT	.9	.9	.9	.9	.9	.9	.9	3.9	3.9						

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF

PROGRAM RESOURCE ALLOCATION:	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
GIFTS AND DEPOSITS	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
PLANT MANAGEMENT	186.7	206.8	206.8	206.8	206.8	206.8	206.8	206.8	206.8
DOCUMENTS & PUB(ENT)	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7
OFFICE EQUIPMENT (ISF)	3.5	2.2	2.2	2.2	1.2	1.2	2.2	1.2	1.2
MOTOR POOL (ISF)	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4
PRINTING (ISF)	56.6	57.8	57.8	57.8	57.8	57.8	57.8	57.8	57.8
CENTRAL STORES (ISF)	14.3	14.3	14.3	14.3	14.3	14.3	14.3	14.3	14.3
FEDERAL SURPLUS (ENT)	10.9	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4
GENERAL ENTERPRISE	.6	.6	.6	.6	.6	.6	.6	.6	.6
COMPUTER SVS (ISF)	295.0	295.0	297.0	297.0	297.0	297.0	297.0	297.0	297.0
GENERAL INT SERVICE	6.8	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
TOTAL POSITIONS	876.2	952.0	957.0	957.0	953.0	968.0	957.0	953.0	968.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: ADMINISTRATION,DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95
F.Y. 93 FUNDING LEVEL	150,083	150,083	20,217	20,217	127,033	127,033	2,833	2,833
TECHNICAL ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<312>	<312>	<285>	<285>	<27>	<27>		
BIENNIAL APPROPRIATIONS	<665>	<618>	<665>	<618>				
APPROPRIATIONS CARRIED FWD	<254>	<254>	<254>	<254>				
NON-RECURRING EXPENDITURES	<66>	<66>			<66>	<66>		
LAC APPROPRIATIONS	<1,551>	<1,551>	<1,551>	<1,551>				
DOCUMENTED RENT/LEASE INC/DEC	52	61	52	61				
LCMR-FUNDED PROJECTS	<2,289>	<2,289>			<2,289>	<2,289>		
INSURANCE PREMIUM HOLIDAY	51	51	51	51				
PLANT MANAGEMENT REBATES	36	36	36	36				
1992 SESSION REDUCTIONS	<277>	<277>	<277>	<277>				
SUBTOTAL TECH. ADJ.	<5,275>	<5,219>	<2,893>	<2,837>	<2,382>	<2,382>		
CURRENT SPENDING	144,808	144,864	17,324	17,380	124,651	124,651	2,833	2,833
FORECAST ADJUSTMENTS								
LEG-DIRECTED ADJUSTMENTS	850	850			850	850		
ANNUALIZING NEW PROG COSTS	82	82	82	82				
SUBTOTAL FORECAST ADJ.	932	932	82	82	850	850		
AGENCY BASE	145,740	145,796	17,406	17,462	125,501	125,501	2,833	2,833

PROGRAM: Operations Management
AGENCY: Administration, Department of

PROGRAM PURPOSE:

The Operations Management Bureau (OMB) supports the Department of Administration's mission by providing a range of services to government agencies.

Specifically, OMB provides transportation services (motor pool, commuter van pool, MTC bus cards, corporate credit cards, and preferred travel vendors); printing; mailing services; publishing; marketing and sale of publications, products, and mailing lists (Minnesota's Bookstore); record storage; microfilming of documents; production and distribution of the State Register; purchasing; inventory management; asset disposal; procurement from small, disadvantaged and targeted business; office supply sales; insurance coverage; and statewide leadership to the volunteer community.

PROSPECTS:

The value of OMB's products and services is increasing during these tight budget times as agencies reduce their own administrative staffs and look for ways to stretch administrative budgets. Centralized purchasing of commodities and services enables the state to leverage its purchasing power through large volume contracts. Managers looking to reduce liability costs are using OMB's risk management programs. Reduced government budgets are also causing an increased reliance on the volunteer community. OMB is examining all of its products and services to determine how to further improve their value to state and local government customers.

An important opportunity for the improved delivery of state services is the adoption of Electronic Data Interchange (EDI) technologies. This is particularly true for the business practices involved in purchasing, commodity receipt, invoicing and payment. EDI provides the opportunity not only to apply new technology, but to re-engineer business systems and processes, ultimately reducing and eliminating the need for paper transactions. The OMB sees the application of EDI as a unique and important opportunity to fundamentally alter state operations and improve service delivery.

OUTCOMES:

Risk Management Division:

- State agencies will have to rely less on self-insurance to cover losses, thus using state funds more effectively and with greater predictability.

Travel Management Division:

- State agency travel budgets will be used more efficiently and effectively.

Print Communications Division:

- Information generated by state agencies will be more available to the public, and state revenues will be generated through the sale of this information.
- State agency printing will be done efficiently, effectively, and in an environmentally sound manner.
- State agency mail budgets will be used more efficiently and effectively.
- State agencies will require less space to store documents and thus save money.

Materials Management Division:

- State agency dollars used to acquire materials and services will be used wisely, with consideration for societal and economic values.
- State material resources will be used effectively and efficiently.

Office on Volunteer Services:

- Private individuals and organizations will provide needed services that might otherwise be provided by government, thus reducing government expenditures.

OBJECTIVES:

Risk Management Division:

- To market the advantages of insurance so that state agencies will purchase more insurance coverage and minimize their risks.

Travel Management Division:

- To provide transportation services at current or lower rates.

Print Communications Division:

- To increase the production, publishing, sale, and distribution of state generated documents, products and mailing lists.
- To provide cost-effective mail service through centralized operations.
- To provide cost-effective solutions to state printing needs through the best combination of centralized and decentralized operations.
- To provide cost-effective document storage and microfilming through centralized operations.

Materials Management Division:

- To provide a centralized purchasing operation that leverages the state's financial resources to obtain the best value for commodities and services.
- To provide a centralized operation for the maintenance and tracking of fixed and disposable asset inventories.

Minnesota Office on Volunteer Services:

- To provide leadership, support, and promotion of Minnesota's volunteer community.

PROGRAM PLAN:

The Risk Management Division will be converted entirely to a revolving fund, thus reducing the need for general fund dollars by \$205,185. The target for this conversion is 1-1-94. Services provided by this division will be funded through fees paid primarily for automobile insurance coverage.

The electronic equipment rental operation in the Print Communications Division is eliminated, thus returning \$134,000 in contributed capital funds to the general fund. In the future, this service will be provided to state agencies through an office equipment contract developed and administered by the Materials Management Division.

The Office of Dispute Resolution has been eliminated as a separate organizational entity within the department, thus returning \$157,690 to the general fund. Dispute resolution services are to be provided by the Management Analysis Division of the Department of Administration on a revolving fund basis.

The Micrographics and Records Center operations have been transferred from the InterTechnologies Group to the Print Communications Division to improve operations and service delivery. Micrographics and the Records Center will remain revolving fund operations.

The Resource Recovery Office has been transferred from the Materials Management Division to the Plant Management Division to improve service and increase the recovery of recyclable materials from the waste generated by state agencies.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: a biennial increase in funding above the agency plan level of \$450,000 for a Statewide Recycling Center; a biennial increase of \$843,000 for a Statewide EDI Initiative for Contract Purchases. The Governor also recommends that proposed funding be reduced due to salary planning estimates and a biennial increase of \$40,000 for the Dispute Resolution activity.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: OPERATIONS MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
RISK MANAGEMENT	121	129	136	138	72	71	138	1	1
MATERIALS MANAGEMENT	3,127	3,041	3,654	3,377	3,445	4,139	3,380	3,226	3,654
TRAVEL MANAGEMENT	192	212	216	216	216	216	216	216	216
PRINT COMMUNICATIONS	9,966	10,610	11,534	11,538	11,510	11,496	11,540	11,606	11,592
MN OFFICE VOLUNTEER SERV	326	344	958	960	983	976	960	993	986
OFFICE OF DISPUTE RESOLUTN		129	197	199	120	140	199	120	140
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	13,732	14,465	16,695	16,428	16,346	17,038	16,433	16,162	16,589
GOV'S INITIATIVES:			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<110>			<104>
(B) STATE RECYCLING CENTER FUNDING			GEN			225			225
(B) STATEWIDE EDI INIT FOR CONTRACT PURCHASING			GEN			557			286
(B) DISPUTE RESOLUTION FUNDING			GEN			20			20
=====			=====			=====			=====
TOTAL GOV'S INITIATIVES						692			427
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,051	4,086	4,657	4,390	4,308	5,000	4,395	4,124	4,551
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	68	85	112	112	112	112	112	112	112
FEDERAL		18	718	718	718	718	718	718	718
AGENCY	9,613	10,265	11,198	11,198	11,198	11,198	11,198	11,198	11,198
GIFTS AND DEPOSITS		11	10	10	10	10	10	10	10
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	13,732	14,465	16,695	16,428	16,346	17,038	16,433	16,162	16,589
POSITIONS BY FUND:									
GENERAL	76.6	87.0	87.0	87.0	86.0	90.0	87.0	83.0	87.0
SPECIAL REVENUE	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
RISK MANAGEMENT	.9	.9	.9	.9	.9	.9	.9	3.9	3.9

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: OPERATIONS MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:				FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
OFFICE EQUIPMENT (ISF)	3.5	2.2	2.2	2.2	1.2	1.2	2.2	1.2	1.2
MOTOR POOL (ISF)	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4
PRINTING (ISF)	56.6	57.8	57.8	57.8	57.8	57.8	57.8	57.8	57.8
CENTRAL STORES (ISF)	14.3	14.3	14.3	14.3	14.3	14.3	14.3	14.3	14.3
FEDERAL SURPLUS (ENT)	10.9	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4
GENERAL ENTERPRISE	.6	.6	.6	.6	.6	.6	.6	.6	.6
GENERAL INT SERVICE	6.8	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
TOTAL POSITIONS	207.3	216.2	216.2	216.2	214.2	218.2	216.2	214.2	218.2

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1994-95 Biennial Budget

BUDGET ACTIVITY: Risk Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

REVENUE:

This activity generates revolving fund revenue from premiums charged agencies for the various types of underwriting activities of the fund. (See financial page.)

GRANTS:

None.

ACTIVITY DESCRIPTION:

The Risk Management Division provides 4 major services to state agencies:

1. Managing and underwriting the risk management fund and its coverages including: automobile liability, general liability, property inland marine and comprehensive and collision;
2. Supervising, monitoring and adjusting losses using a loss adjusting company for the investigation and settlement of claims. In conjunction with the attorney general's office, selecting legal counsel to handle claims that enter into litigation;
3. Providing risk/insurance management consulting services to state agencies on a variety of issues; and
4. Assisting agencies by evaluating insurance needs and negotiating insurance purchase.

The division is funded by premiums charged agencies for risks underwritten by the risk management fund and by service charges assessed to premiums negotiated by the division on behalf of agencies. The division has legislative authority under M.S. 16B.85 and has an advisory committee comprised of representatives of state agencies, the private sector and the insurance industry.

BUDGET ISSUES:

The division will be converted entirely to a revolving fund during the biennium with a target date of 1-1-94. Conversion to a revolving fund will allow for a proper allocation of costs and follow our department's principle that services should be fee based wherever possible. This will also allow risk coverage to grow with the demand for service.

EFFICIENCY MEASURES:

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
Financial strength of fund (ratio of retained earnings to premium written, 1.5 to 1 is an industry standard):	1.8 to 1	1.6 to 1	3.1 to 1
Claims activity of fund:			
Number Open Claims:	153	180	203
Number Reported Claims:	536	720	788
Number of Transactions:	585	521	853
Paid Claims:	\$ 685,000	\$ 1,280,000	\$ 1,934,000
Incurred Claims Payable:	\$ 906,200	\$ 1,713,600	\$ 2,911,351

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: RISK MANAGEMENT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	103	107	108	109	43	42	109		
EXPENSES/CONTRACTUAL SRVCS	9	14	19	20	20	20	20		
MISC OPERATING EXPENSES	4	5	5	5	5	5	5		
SUPPLIES/MATERIALS/PARTS	5	3	4	4	4	4	4	1	1
SUBTOTAL STATE OPERATIONS	121	129	136	138	72	71	138	1	1
TOTAL EXPENDITURES	121	129	136	138	72	71	138	1	1
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<1>			
TOTAL GOV'S INITIATIVES						<1>			
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	121	129	136	138	72	71	138	1	1
TOTAL FINANCING	121	129	136	138	72	71	138	1	1
POSITIONS BY FUND:									
GENERAL	3.0	3.0	3.0	3.0	3.0	3.0	3.0	.0	.0
RISK MANAGEMENT	.9	.9	.9	.9	.9	.9	.9	3.9	3.9
TOTAL POSITIONS	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9

**DEPARTMENT OF ADMINISTRATION
DIVISION of RISK MANAGEMENT**

REVOLVING FUND ACTIVITY: RISK MANAGEMENT
BUDGET ACTIVITY: 02-211
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 41

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 84 -95
PROGRAM: OPERATIONS MANAGEMENT BUREAU

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	--PROJECTED-- FY 1994 FY 1995			ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993
OPERATING REVENUES:						ASSETS:			
NET SALES	2,165.9	2,148.4	2,467.8	2,815.0	3,069.0	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	3,113.5	3,650.7	3,510.5
GROSS PROFIT ON SALES	2,165.9	2,148.4	2,467.8	2,815.0	3,069.0	OTHER CURRENT ASSETS	463.2	343.5	350.0
OTHER REVENUE	274.9	267.4	192.0	190.0	195.0	TOTAL CURRENT ASSETS	3,576.7	3,994.2	3,860.5
NET REVENUES	2,440.8	2,415.8	2,659.8	3,005.0	3,264.0	NON-CURRENT ASSETS:	7.9	7.9	4.7
LESS: OPERATING EXPENSES:						TOTAL ASSETS	3,584.6	4,002.1	3,865.2
SALARIES	37.7	46.1	47.8	165.8	174.0	LIABILITIES & FUND EQUITY			
SUPPLIES & EXPENSES	2,187.4	3,080.1	2,536.4	2,702.7	2,951.0	LIABILITIES:			
INTEREST EXPENSE	0.0	0.0	0.0	0.0	0.0	CURRENT LIABILITIES:			
INDIRECT COSTS	10.4	7.2	14.2	31.5	34.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
AMORTIZATION & DEPRECIATION	2.5	2.8	3.1	5.0	5.0	MASTER LEASE - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	2,238.0	3,116.2	2,603.5	2,905.0	3,164.0	OTHER CURRENT LIABILITIES	2,275.5	3,393.2	3,200.0
OPERATING INCOME (LOSS)	202.8	(700.4)	56.3	100.0	100.0	TOTAL CURRENT LIABILITIES	2,275.5	3,393.2	3,200.0
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	NON-CURRENT LIABILITIES:			
NET INCOME (LOSS)	202.8	(700.4)	56.3	100.0	100.0	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
BEGINNING RETAINED EARNINGS	1,105.1	1,307.9	607.5	663.8	763.8	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	1.2	1.4	1.4
ENDING RETAINED EARNINGS	1,307.9	607.5	663.8	763.8	863.8	TOTAL NON-CURRENT LIABILITIES	1.2	1.4	1.4
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	2,276.7	3,394.6	3,201.4
RATE INCREASE/(DECREASE):	0.29%	-3.96%	5.44%	22.00%	10.00%	FUND EQUITY:			
FIVE YEAR AVERAGE INCREASE/(DECREASE):	6.75%					CONTRIBUTED CAPITAL	0.0	0.0	0.0
						RETAINED EARNINGS	1,307.9	607.5	663.8
						TOTAL FUND EQUITY	1,307.9	607.5	663.8
						TOTAL LIABILITIES & FUND EQUITY	3,584.6	4,002.1	3,865.2

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1994-95 Biennial Budget

BUDGET ACTIVITY: Materials Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Materials Management Division (MMD) provides services primarily to the executive branch of state government in the acquisition, inventory, and disposal of fixed and consumable assets and in construction and professional and technical services contracting. The division's services include: purchasing, small business procurement, cooperative purchasing program for political subdivisions, fixed and consumable asset management, central stores, environmental purchasing, state and federal surplus property management, and professional and technical services contract management. MMD has management or oversight responsibility for the acquisition of more than \$1.2 billion in goods and services annually.

BUDGET ISSUES:

The Materials Management Division was asked to prepare a F.Y. 1994-95 budget which is 90% of its F.Y. 1993 operating base. The division has, over the past several years, achieved general fund savings in a number of areas including: revamping the computerized purchasing system (PALS), reducing printing and mailing costs through the use of a voice-fax system, holding positions vacant, sharing costs more appropriately with non-general funds and recovering the costs of administering certain contracts through fees. Cutbacks required by the F.Y. 1994-95 budget will be achieved through additional savings derived from future cost-cutting innovations such as the use of EDI to transfer bid information between central purchasing and the State Register.

Several changes in the division will occur as a result of departmentwide strategic planning. Effective 11-1-92, the Resource Recovery program will be transferred to the Plant Management Division. The responsibility for environmentally sound purchasing, including advocacy and promotion of the purchase and use of recycled, recyclable, non-hazardous and waste-reducing materials will remain in Materials Management. The print buying function in the Print Communications Division will return to MMD in F.Y. 1994 creating new efficiencies and service capability. Division-level strategic planning currently underway will result in restructuring and repositioning division resources to better meet customer expectations and enhance service delivery.

EFFICIENCY MEASURES:

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u> Projected
Throughput time for purchase requisitions (work days)	16.9	19.7	20
On-time delivery of purchases	56%	79%	80%
Purchases from contracts	\$181.3M	\$190.6M	\$209.7M
Annual savings to agencies offered by commodity/service contracts	\$40.3M	\$50.2M	\$55.2M
Reduction in printing and mailing costs due to use of voice/fax system	N/A	40%	30%
Percent of direct acquisition purchases from targeted group vendors	2.8%	5%	7%
Number of contracts providing environmentally aware products	47	55	62
Recycled products as % of gross sales (Central Stores)	N/A	23.9%	25%
Number of new products offered (Central Stores)	50	60	50
Net sales/employee (Central Stores)	\$423,000	\$383,000	\$443,000
State auction sales	\$2.7M	\$2.3M	\$2.4M
Net sales/employee (Surplus Property)	\$111,000	\$96,000	\$110,000
Percent of agencies reporting on fixed asset holdings	34%	44%	55%

REVENUE:

This activity generates revolving fund revenue. (See financial page.)

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: MATERIALS MANAGEMENT

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,168	2,278	2,555	2,509	2,596	2,966	2,509	2,487	2,791
EXPENSES/CONTRACTUAL SRVCS	705	413	500	425	459	593	428	447	488
MISC OPERATING EXPENSES	128	132	205	193	140	147	193	140	164
SUPPLIES/MATERIALS/PARTS	78	202	394	250	250	422	250	152	190
CAPITAL EQUIPMENT	48	16				11			21
SUBTOTAL STATE OPERATIONS	3,127	3,041	3,654	3,377	3,445	4,139	3,380	3,226	3,654
TOTAL EXPENDITURES	3,127	3,041	3,654	3,377	3,445	4,139	3,380	3,226	3,654
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES						<88>			<83>
(B) STATE RECYCLING CENTER FUNDING						225			225
(B) STATEWIDE EDI INIT FOR CONTRACT PURCHASING						557			286
TOTAL GOV'S INITIATIVES						694			428
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,127	3,041	3,654	3,377	3,445	4,139	3,380	3,226	3,654
TOTAL FINANCING	3,127	3,041	3,654	3,377	3,445	4,139	3,380	3,226	3,654
POSITIONS BY FUND:									
GENERAL	57.1	66.5	66.5	66.5	66.5	70.5	66.5	66.5	70.5
CENTRAL STORES (ISF)	14.3	14.3	14.3	14.3	14.3	14.3	14.3	14.3	14.3
FEDERAL SURPLUS (ENT)	10.9	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: MATERIALS MANAGEMENT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	82.3	90.2	90.2	90.2	90.2	94.2	90.2	90.2	94.2

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Administration, Department of
PROGRAM: Operations Management
ACTIVITY: Materials Management

ITEM TITLE: State Recycling Center Funding

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Expenditures: (\$000s)				
General Fund				
- State Operations	\$225	\$225	\$248	\$248
Revenues: (\$000s)				
General Fund	\$106	\$115	\$200	\$200

Statutory Change? Yes No

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends full operational funding for the state recycling center.

The center, which was mandated by the 1991 legislature, will collect, sort, and prepare for sale recyclable materials from state offices. The facility, which will be leased, is scheduled to open in January 1993. The center will enable the state to meet the statutory requirement that by 12/31/93, state government must recycle at least 3 recyclable materials and 40% of all solid waste generated (by weight) by state offices and other operations located in the Twin Cities metropolitan area.

Besides the environmental advantages it provides, the recycling center will save the state money through reduced waste disposal fees and the sale of recyclable materials. Given the infancy and volatility of the market for recyclable materials, however, the center will not be self-supporting in the near future and will require a General Fund subsidy to support its operation at least through F.Y. 1997.

PROGRAM OUTCOMES:

The center will: 1) increase the number, volume and quality of recycled products available for sale; 2) increase the marketability of recycled products by exercising greater quality control over the recyclables sold; 3) increase the revenues received from the sale of recyclables by marketing more profitable grades of materials; and 4) decrease the state's solid waste disposal fees.

Currently the state only recycles paper and 34% of its waste in the Twin Cities metropolitan area. The center will also recycle aluminum, glass, and plastic. The center's goal is to increase the recycling rate to 50% in F.Y. 1994 and 60% in F.Y. 1995. Recyclable tonnage is projected to increase from 2,000 tons currently (F.Y. 1992) to 2,500 tons in F.Y. 1995, revenues from \$56,000 to \$115,000, and waste disposal fee savings from \$46,000 to \$68,000.

LONG-TERM IMPACT:

This initiative will enable state government to play a leadership role in the recycling of solid waste. The long-term impact will be to reduce the need for landfills or waste incinerators, thus mitigating environmental damage and conserving resources.

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Administration, Department of
PROGRAM: Operations Management
ACTIVITY: Contract Purchasing, Materials Management Division

ITEM TITLE: Statewide Electronic Data Interchange (EDI) Initiative for Contract Purchasing

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Expenditures: (\$000s)				
General Fund				
- State Operations	\$557	\$286	\$158	\$153

Statutory Change? Yes No

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends investment in implementation of Electronic Data Interchange (EDI) technology for the initial application of statewide contract purchasing. The Information Policy Office has reviewed and supports this project if funding is available consistent with any requirements identified in its analysis. The Information Policy Office shall insure that all EDI investment directions are consistent and coordinated with those of the Statewide Systems project.

The Information Policy Office has reviewed and supports this project if funding is available consistent with any requirement identified in its analysis.

The Governor's Commission on Reform and Efficiency (CORE) supports this funding proposal which implements in a specific business area CORE's recommendations regarding EDI technology. This project will make use of one of the private sector consultants to CORE who is an expert in electronic business transactions. The consultant will assist in developing the implementation strategy.

EDI between the state and its vendors is a management tool that serves as a catalyst for changing work processes by introducing significant reforms leading to distinct value-added improvements to government services. EDI-based transactions in contract purchasing can: reduce the time from order to receipt of goods from weeks to days; tell customers within minutes of order placement when and how much they will receive; provide managers with instant access to data about all transactions so volume, price and vendor performance can be monitored; reduce paper printing, handling, mailing and storage costs; and reduce errors found in today's manual process.

In a 1991 study, Hewlett Packard found their purchasing agents spent 33% of their time on administrative functions prior to EDI implementation; with EDI this was reduced to 3%. The purchasing process at Georgia Power went from 16 days to 9 days when EDI was implemented. The state of Minnesota anticipates similar results.

It is also expected that the benefits of EDI realized in this model application of contract purchasing will be similar for other identified potential applications of EDI for state of Minnesota operations.

PROGRAM OUTCOMES:

By dollar volume, 21% of contract purchasing will be done through EDI; statewide readiness for EDI implementation of other applications, including the Statewide System; improved contract management using information made available because of EDI: re-engineered business processes for contract purchasing; expedited payment approvals.

LONG-TERM IMPACT:

Today's choice to implement EDI will position the state of Minnesota for the time coming when partners, such as vendors or other units of government, require that business transactions be conducted using EDI. Use of EDI technology will allow tighter inventory control so that inventory storage and management can be reduced. Data available in a standard format will be cross-referenced reducing manual operations, such as approvals for payments of invoices. Future contracts will be negotiated more optimally with the knowledge provided through EDI about purchasing activity for particular commodities.

DEPARTMENT OF ADMINISTRATION
DIVISION OF MATERIALS MANAGEMENT

REVOLVING FUND ACTIVITY: CENTRAL STORES
BUDGET ACTIVITY: 02-511
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 93

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94 - 95
PROGRAM: OPERATIONS MANAGEMENT BUREAU

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	PROJECTED FY 1994	PROJECTED FY 1995		ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993
OPERATING REVENUES:						ASSETS:			
NET SALES	4,640.5	4,213.6	4,355.1	5,307.0	5,713.8	CURRENT ASSETS:			
LESS: COST OF SALES	3,729.5	3,421.9	3,391.0	4,181.0	4,571.0	CASH	201.5	154.6	50.0
GROSS PROFIT ON SALES	911.0	791.7	964.1	1,126.0	1,142.8	OTHER CURRENT ASSETS	924.9	780.1	784.2
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	1,126.4	934.7	834.2
NET REVENUES	911.0	791.7	964.1	1,126.0	1,142.8	NON-CURRENT ASSETS:	135.0	109.7	84.7
LESS: OPERATING EXPENSES:						TOTAL ASSETS	1,261.4	1,044.4	918.9
SALARIES	455.8	523.8	520.4	520.4	540.4	LIABILITIES & FUND EQUITY			
SUPPLIES & EXPENSES	318.4	311.6	325.2	454.9	454.9	LIABILITIES:			
INTEREST EXPENSE	0.0	0.0	0.0	0.0	0.0	CURRENT LIABILITIES:			
INDIRECT COSTS	137.1	139.2	114.3	114.3	114.3	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
AMORTIZATION & DEPRECIATION	13.8	25.3	24.9	27.4	27.4	MASTER LEASE - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	925.1	999.9	984.8	1,117.0	1,137.0	OTHER CURRENT LIABILITIES	313.2	303.6	200.0
OPERATING INCOME (LOSS)	(14.1)	(208.2)	(20.7)	9.0	5.8	TOTAL CURRENT LIABILITIES	313.2	303.6	200.0
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	NON-CURRENT LIABILITIES:			
NET INCOME (LOSS)	(14.1)	(208.2)	(20.7)	9.0	5.8	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
BEGINNING RETAINED EARNINGS	265.3	251.2	43.0	22.3	31.3	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	6.0	6.8	5.8
ENDING RETAINED EARNINGS	251.2	43.0	22.3	31.3	37.1	TOTAL NON-CURRENT LIABILITIES	6.0	6.8	5.8
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	319.2	310.4	205.8
Assumptions: Move to larger facility & Increase volume 1 million						FUND EQUITY:			
RATE INCREASE/(DECREASE):	-5.00%	0.00%	22.80%	-5.50%	-8.00%	CONTRIBUTED CAPITAL	691.0	691.0	691.0
FIVE YEAR AVERAGE INCREASE/(DECREASE):	0.86%					RETAINED EARNINGS	251.2	43.0	22.3
						TOTAL FUND EQUITY	942.2	734.0	713.3
						TOTAL LIABILITIES & FUND EQUITY	1,261.4	1,044.4	918.9

**DEPARTMENT OF ADMINISTRATION
DIVISION of MATERIALS MANAGEMENT**

REVOLVING FUND ACTIVITY: SURPLUS OPERATIONS
BUDGET ACTIVITY: 02-512
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 94

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94 -95
PROGRAM: OPERATIONS MANAGEMENT BUREAU

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	PROJECTED FY 1994	PROJECTED FY 1995		ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993
OPERATING REVENUES:						ASSETS:			
NET SALES	666.9	580.3	657.6	962.7	962.7	CURRENT ASSETS:			
LESS: COST OF SALES	50.2	68.1	100.0	375.0	375.0	CASH	444.8	359.9	400.0
GROSS PROFIT ON SALES	616.7	512.2	557.6	587.7	587.7	OTHER CURRENT ASSETS	141.0	231.6	114.6
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	585.8	591.5	514.6
NET REVENUES	616.7	512.2	557.6	587.7	587.7	NON-CURRENT ASSETS:	224.4	208.5	193.3
LESS: OPERATING EXPENSES:						TOTAL ASSETS	810.2	800.0	707.9
SALARIES	290.4	244.1	286.0	286.0	286.0	LIABILITIES & FUND EQUITY			
SUPPLIES & EXPENSES	215.0	121.7	208.0	184.0	184.0	LIABILITIES:			
INTEREST EXPENSE	0.0	0.0	0.0	0.0	0.0	CURRENT LIABILITIES:			
INDIRECT COSTS	35.4	23.6	21.2	21.2	21.2	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
AMORTIZATION & DEPRECIATION	15.2	16.0	15.2	18.2	18.2	MASTER LEASE - CURRENT	395.0	273.6	174.5
TOTAL OPERATING EXPENSES	556.0	405.4	530.4	509.4	509.4	OTHER CURRENT LIABILITIES			
OPERATING INCOME (LOSS)	60.7	106.8	27.2	78.3	78.3	TOTAL CURRENT LIABILITIES	395.0	273.6	174.5
NON-OPERATING REVENUES (EXPENSES)	0.0	0.4	0.0	0.0	0.0	NON-CURRENT LIABILITIES:			
NET INCOME (LOSS)	60.7	107.2	27.2	78.3	78.3	DUE GENERAL FUND - NON-CURRENT	13.0	16.0	0.0
BEGINNING RETAINED EARNINGS	54.1	114.8	222.0	249.2	327.5	MASTER LEASE - NON-CURRENT	13.2	14.2	10.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES			
ENDING RETAINED EARNINGS	114.8	222.0	249.2	327.5	405.8	TOTAL NON-CURRENT LIABILITIES	26.2	30.2	10.0
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	421.2	303.8	184.5
						FUND EQUITY:			
						CONTRIBUTED CAPITAL	274.2	274.2	274.2
RATE INCREASE/(DECREASE):	0.00%	0.00%	0.00%	0.00%	0.00%	RETAINED EARNINGS	114.8	222.0	249.2
						TOTAL FUND EQUITY	389	496.2	523.4
FIVE YEAR AVERAGE INCREASE/(DECREASE):	0.00%					TOTAL LIABILITIES & FUND EQUITY	810.2	800.0	707.9

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1994-95 Biennial Budget

BUDGET ACTIVITY: Travel Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Travel Management Division provides safe, reliable, cost-effective transportation for state employees in the conduct of official state business. The division offers 3 major services to 60 state agencies:

1. Central Motor Pool (CMP) provides daily, weekly and monthly vehicle rental from a fleet of 1,200 vehicles (ranging from subcompacts to trucks);
2. The division's travel services include a corporate credit card program and preferred travel vendors. These services simplify the making of travel arrangements and enable the state to take advantage of economies of scale; and
3. The Commuter Van Program provides a fleet of 25 passenger vans for state employees who commute to work in a van pool. The program's objective is not only to provide cost-effective service but also to be environmentally responsible by reducing the number of single passenger vehicles on the road and limiting the need for parking spaces.

In addition, the division provides monthly MTC bus cards through a payroll deduction program for state employees. The division also provides repair and maintenance services for vehicles owned by other agencies.

BUDGET ISSUES:

Central Motor Pool:

While some agencies may reduce discretionary travel as part of their budget cutting, overall demand for CMP vehicles is expected to remain high in the upcoming biennium. Most CMP rentals are for non-discretionary travel such as on-site inspection of health care facilities and financial institutions. As a budget cutting measure, agencies may require employees to use CMP vehicles rather than be reimbursed for the use of private vehicles. The division can readily adjust the size of the fleet to meet demand.

Commuter Van Program:

Since the Commuter Van Program is financially self-sustaining through participant fees, it is generally unaffected by state budget cutbacks.

EFFICIENCY MEASURES:

Central Motor Pool:

- One of the primary efficiency measurements is the cost of a Travel Management vehicle

compared to an employee's private vehicle reimbursement (PVR). Per month, agency cost of a Travel Management vehicle driven 1,400 miles was \$315 in F.Y. 1991, \$321 in F.Y. 1992 and \$314 in F.Y. 1993. This compares to \$378 an agency would pay their employees for driving their own vehicles during those same fiscal years.

	Dollars in Thousands		
	F.Y. 1991	F.Y. 1992	F.Y. 1993
Retained Earnings:	\$225	\$274	\$252

Commuter Van Program:

- Efficiency is measured by the number of single occupancy vehicles no longer on the road and the approximate number of gallons of gas saved per year.
- The program currently has 25 active routes with 249 participants. We assume that approximately 200 vehicles have thus been taken off the road as well as 200 open parking spaces saved for a total savings of 98,834 gallons of gas per year.

	Dollars in Thousands		
	F.Y. 1991	F.Y. 1992	F.Y. 1993
Retained Earnings	\$78.3	\$59.1	\$43.6

REVENUE:

This activity generates dedicated and revolving fund revenue. (See financial page for revolving fund revenues.)

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Type of Revenue:				
Dedicated - Special:				
Parking Surcharge	\$ 115	\$ 120	\$ 120	\$ 120
Dedicated - Agency:				
MTC Bus Cards	185	200	200	200
Total	\$ 300	\$ 320	\$ 320	\$ 320

GRANTS:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: TRAVEL MANAGEMENT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	1		1	1	1	1	1	1	1
MISC OPERATING EXPENSES	191	212	215	215	215	215	215	215	215
SUBTOTAL STATE OPERATIONS	192	212	216	216	216	216	216	216	216
TOTAL EXPENDITURES	192	212	216	216	216	216	216	216	216
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	14	13	18	18	18	18	18	18	18
AGENCY	178	199	198	198	198	198	198	198	198
TOTAL FINANCING	192	212	216	216	216	216	216	216	216
POSITIONS BY FUND:									
MOTOR POOL (ISF)	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4
GENERAL ENTERPRISE	.6	.6	.6	.6	.6	.6	.6	.6	.6
TOTAL POSITIONS	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0

DEPARTMENT OF ADMINISTRATION
DIVISION OF TRAVEL MANAGEMENT

REVOLVING FUND ACTIVITY: CENTRAL MOTOR POOL
BUDGET ACTIVITY: 02-514
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 91

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94 - 95
PROGRAM: OPERATIONS MANAGEMENT BUREAU

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	PROJECTED FY 1994	PROJECTED FY 1995		ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993
OPERATING REVENUES:						ASSETS:			
NET SALES	4,632.6	5,043.7	5,031.9	5,031.9	5,031.9	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0			CASH	617.9	621.2	581.5
GROSS PROFIT ON SALES	4,632.6	5,043.7	5,031.9	5,031.9	5,031.9	OTHER CURRENT ASSETS	766.4	835.4	835.4
OTHER REVENUE	50.4	106.5	75.0	75.0	75.0	TOTAL CURRENT ASSETS	1,384.3	1,456.6	1,416.9
NET REVENUES	4,683.0	5,150.2	5,106.9	5,106.9	5,106.9	NON-CURRENT ASSETS:	8,676.8	8,179.1	
LESS: OPERATING EXPENSES:						TOTAL ASSETS	10,061.1	9,635.7	1,416.9
SALARIES	529.3	550.4	557.9	577.4	597.6	LIABILITIES & FUND EQUITY			
SUPPLIES & EXPENSES	1,770.6	1,727.2	1,708.0	1,793.4	1,883.1	LIABILITIES:			
INTEREST EXPENSE	465.7	518.2	689.9	689.9	689.9	CURRENT LIABILITIES:			
INDIRECT COSTS	159.4	139.7	174.8	174.8	174.8	DUE GENERAL FUND - CURRENT	1,324.4	2,386.9	2,386.9
AMORTIZATION & DEPRECIATION	2,275.6	2,610.1	2,642.8	2,571.7	2,417.9	MASTER LEASE - CURRENT	3,508.3	2,667.9	2,667.9
TOTAL OPERATING EXPENSES	5,200.6	5,545.6	5,773.4	5,807.2	5,783.3	OTHER CURRENT LIABILITIES	501.5	218.2	218.2
OPERATING INCOME (LOSS)	(517.6)	(395.4)	(666.5)	(700.3)	(656.4)	TOTAL CURRENT LIABILITIES	5,334.2	5,273.0	5,273.0
NON-OPERATING REVENUES (EXPENSES)	454.6	444.0	644.9	649.9	649.9	NON-CURRENT LIABILITIES:			
NET INCOME (LOSS)	(63.0)	48.6	(21.9)	(50.4)	(6.5)	DUE GENERAL FUND - NON-CURRENT	18.0	18.0	0.0
BEGINNING RETAINED EARNINGS	288.6	225.6	274.2	252.6	202.2	MASTER LEASE - NON-CURRENT	3,973.5	3,560.8	3,560.8
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	7.8	7.7	7.7
ENDING RETAINED EARNINGS	225.6	274.2	252.6	202.2	195.7	TOTAL NON-CURRENT LIABILITIES	3,999.3	3,586.5	3,568.5
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	9,333.5	8,859.5	8,841.5
RATE INCREASE/(DECREASE):	2.00%	-1.00%	-1.00%	0.00%	0.00%	FUND EQUITY:			
FIVE YEAR AVERAGE INCREASE/(DECREASE):	0.00%					CONTRIBUTED CAPITAL	502.0	502.0	502.0
						RETAINED EARNINGS	225.6	274.2	252.6
						TOTAL FUND EQUITY	727.6	776.2	754.6
						TOTAL LIABILITIES & FUND EQUITY	10,061.1	9,635.7	9,596.1

DEPARTMENT OF ADMINISTRATION
DIVISION of TRAVEL MANAGEMENT

REVOLVING FUND ACTIVITY: COMMUTER VAN
BUDGET ACTIVITY: 02-514
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 96

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94 - 95
PROGRAM:

	* OPERATIONS DATA *					* FINANCIAL DATA *			
	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	PROJECTED FY 1994	PROJECTED FY 1995	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	
(Dollars in Thousands)									
OPERATING REVENUES:						ASSETS:			
NET SALES	121.4	109.0	104.9	104.9	104.9	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	106.4	80.2	64.7
GROSS PROFIT ON SALES	121.4	109.0	104.9	104.9	104.9	OTHER CURRENT ASSETS	5.1	6.0	6.0
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	111.5	86.2	70.7
NET REVENUES	121.4	109.0	104.9	104.9	104.9	NON-CURRENT ASSETS:	196.2	199.6	199.6
LESS: OPERATING EXPENSES:						TOTAL ASSETS	307.7	285.8	270.3
SALARIES	23.6	20.8	23.1	23.1	23.1	LIABILITIES & FUND EQUITY			
SUPPLIES & EXPENSES	57.4	61.4	59.6	59.6	59.6	LIABILITIES:			
INTEREST EXPENSE	0.0	0.0	0.0	0.0	0.0	CURRENT LIABILITIES:			
INDIRECT COSTS	4.2	6.0	3.3	3.3	3.3	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
AMORTIZATION & DEPRECIATION	63.8	54.8	44.0	48.9	36.3	MASTER LEASE - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	149.0	143.0	130.0	134.9	122.3	OTHER CURRENT LIABILITIES	7.3	6.2	6.2
OPERATING INCOME (LOSS)	(27.6)	(34.0)	(25.1)	(30.0)	(17.4)	TOTAL CURRENT LIABILITIES	7.3	6.2	6.2
NON-OPERATING REVENUES (EXPENSES)	16.8	14.8	9.6	9.6	6.2	NON-CURRENT LIABILITIES:			
NET INCOME (LOSS)	(10.8)	(19.2)	(15.5)	(20.4)	(11.2)	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
BEGINNING RETAINED EARNINGS	89.1	78.3	59.1	43.8	23.2	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	0.1	0.0	0.0
ENDING RETAINED EARNINGS	78.3	59.1	43.6	23.2	12.0	TOTAL NON-CURRENT LIABILITIES	0.1	0.0	0.0
FOOTNOTES TO STATEMENTS:						FUND EQUITY:			
RATE INCREASE/(DECREASE):	0.00%	-23.40%	0.00%	0.00%	0.00%	CONTRIBUTED CAPITAL	222.0	220.5	220.5
FIVE YEAR AVERAGE INCREASE/(DECREASE):	-23.40%					RETAINED EARNINGS	78.3	59.1	43.6
						TOTAL FUND EQUITY	300.3	279.6	264.1
						TOTAL LIABILITIES & FUND EQUITY	307.7	285.8	270.3

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1994-95 Biennial Budget

BUDGET ACTIVITY: Print Communications
PROGRAM: Operations Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

Central Mail:

■ Central Mail is a full service mailing support operation available to all state agencies. The unit provides the following services:

1. Mailing services (general fund) including the metering and processing of outgoing federal mail, the sorting and delivery of federal and state interoffice mail, and expert consulting on cost-saving postal programs.
2. Addressing, inserting, presorting, and bulk mail services (revolving fund) to reduce agencies' postage costs.

Printing Services:

■ The Printing Services Unit manages almost all state agencies' printing jobs. A customer service representative is assigned to each agency to help the agency customer specify what is needed in technical terms and what it will cost. The unit has a creative services staff to provide graphic design, typesetting, keylining, electronic output, and various prepress services. The print shop produces multi-colored printing, including press work, cutting, folding, collating, stitching, drilling, binding, and wrapping. Copying services are provided at 3 satellite locations. When printing jobs exceed the state's facilities and capabilities, the Printing Services Unit solicits bids from private printers or gives the work to overload printers on contract with the state.

Minnesota's Bookstore/Mailing List Service/State Register:

■ This activity provides 3 services to state agencies and the public:

1. Minnesota's Bookstore operates as a centralized publishing house for state agency produced products which are sold to the public.
2. The Mailing List Service operates as a centralized production and distribution outlet for the sale of state licensing data to the public.
3. The State Register is the official weekly publication of the state of Minnesota. This publication contains official notices; rulemaking, contract and bid information; executive orders of the governor and commissioners' orders.

Micrographics and Records Center:

■ This activity will move to Print Communications in F.Y. 1993. See InterTechnologies Group for budget activity information.

BUDGET ISSUES:

Central Mail:

1. Investing in barcode reading equipment will provide a more cost-effective way of billing agencies and utilizing Central Mail personnel.
2. Achieving an 8.5% reduction in fixed costs and using retained earnings in the revolving fund in order to hold rates at current levels may cause the fund to have a cash flow problem in F.Y. 1995.

Printing Services:

- Achieving an 8.5% reduction in fixed costs will require discretionary spending cuts. These cuts may include: travel, data processing, and supplies. This activity is a revolving fund. Although most of its expenses are volume driven, portions of the operations represent significant fixed costs.
- Printing Services is undergoing an overall operational review which is likely to result in organizational, process and efficiency improvements.
- An additional challenge will be transferring the Print Buyer function to the Materials Management Division while maintaining or improving efficiency.

Minnesota's Bookstore/Mailing List Service/State Register:

- Achieving a reduction in fixed costs will require discretionary spending cuts. These cuts may include: travel, data processing, and office supplies. Because the activity is a revolving fund, most of its expenses are volume driven.
- Certain initiatives, currently under study, could significantly restructure the work of this unit. These include:
 1. Using fax technology to develop a new mechanism for disseminating State Register information;
 2. Developing a "print-on-demand" philosophy for law and rule extracts published and sold; and
 3. Enhancing in-house mailing list production for business growth.

Electronic Equipment Rental:

- The Electronic Equipment Rental operation in the Print Communications Division is eliminated, thus returning \$134,000 in contributed capital to the general fund. For the future, this service will be provided to the state agencies through office equipment contracts developed and administered by the Materials Management Division.

1994-95 Biennial Budget

BUDGET ACTIVITY: Print Communications
PROGRAM: Operations Management
AGENCY: Administration, Department of
 (Continuation)

EFFICIENCY MEASURES:

	<u>F.Y. 1992 actual</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Central Mail:				
Mail Volume (in millions)	31.3	33.5	32	33
Postage Savings	\$559,000	\$619,000	\$600,000	\$620,000
Mail Processed the Same Day	95%	95%	98-100%	98-100%
Printing Services:				
On-time delivery percentage	92.5%	95%	98%	98%
Cost of goods sold	89%	87.5%	89.3%	89.3%
Processing time for orders from receipt to start of production (days)	2.35	2.2	2.1	2.0
Minnesota's Bookstore/Mailing List Service/State Register:				
Cost of goods sold (for total operation)	41%	37%	37%	37%
Average purchase per customer (Bookstore only)	\$22.48	\$25.00	\$26.00	\$27.00
Number of State Register subscribers	1,100	1,200	1,300	1,400

REVENUE:

This activity generates dedicated and revolving fund revenue. (See financial page for revolving fund revenue.)

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Type of Revenue:					
Dedicated - Agency:					
Postage Clearing	\$ 9,677	\$ 9,955	\$ 11,000	\$ 11,000	11,000

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: PRINT COMMUNICATIONS

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomn.	Current Spending	Agency Plan	Governor Recomn.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	365	376	388	390	404	390	390	418	404
EXPENSES/CONTRACTUAL SRVCS	43	45	44	46	72	72	48	74	74
MISC OPERATING EXPENSES	9,553	10,186	11,098	11,098	11,104	11,104	11,098	11,110	11,110
SUPPLIES/MATERIALS/PARTS	5	3	4	4	4	4	4	4	4
CAPITAL EQUIPMENT					<74>	<74>			
SUBTOTAL STATE OPERATIONS	9,966	10,610	11,534	11,538	11,510	11,496	11,540	11,606	11,592
TOTAL EXPENDITURES	9,966	10,610	11,534	11,538	11,510	11,496	11,540	11,606	11,592
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES									
GEN									
TOTAL GOV'S INITIATIVES									
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	531	544	534	538	510	496	540	606	592
STATUTORY APPROPRIATIONS:									
AGENCY	9,435	10,066	11,000	11,000	11,000	11,000	11,000	11,000	11,000
TOTAL FINANCING	9,966	10,610	11,534	11,538	11,510	11,496	11,540	11,606	11,592
POSITIONS BY FUND:									
GENERAL	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
DOCUMENTS & PUB(ENT)	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7
OFFICE EQUIPMENT (ISF)	3.5	2.2	2.2	2.2	1.2	1.2	2.2	1.2	1.2
PRINTING (ISF)	56.6	57.8	57.8	57.8	57.8	57.8	57.8	57.8	57.8

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: PRINT COMMUNICATIONS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
GENERAL INT SERVICE	6.8	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
TOTAL POSITIONS	98.1	98.1	98.1	98.1	97.1	97.1	98.1	97.1	97.1

**DEPARTMENT OF ADMINISTRATION
DIVISION of PRINT COMMUNICATIONS**

REVOLVING FUND ACTIVITY: CENTRAL MAIL
BUDGET ACTIVITY: 02-519
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 98
(Dollars In Thousands)

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94 - 95
PROGRAM: OPERATIONS MANAGEMENT BUREAU

*** OPERATIONS DATA ***

*** FINANCIAL DATA ***

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	-PROJECTED-			ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993
				FY 1994	FY 1995				
OPERATING REVENUES:						ASSETS:			
NET SALES	324.0	309.0	297.0	297.0	297.0	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	75.0	84.0	64.0
GROSS PROFIT ON SALES	324.0	309.0	297.0	297.0	297.0	OTHER CURRENT ASSETS	34.0	45.0	44.0
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	109.0	129.0	108.0
NET REVENUES	324.0	309.0	297.0	297.0	297.0	NON-CURRENT ASSETS:	48.0	39.0	28.0
LESS: OPERATING EXPENSES:						TOTAL ASSETS	157.0	168.0	136.0
SALARIES	241.0	239.0	252.0	261.0	261.0	LIABILITIES & FUND EQUITY			
SUPPLIES & EXPENSES	37.0	34.0	43.0	40.0	40.0	LIABILITIES:			
INTEREST EXPENSE	0.0	0.0	0.0	0.0	0.0	CURRENT LIABILITIES:			
INDIRECT COSTS	18.0	17.0	22.0	22.0	22.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
AMORTIZATION & DEPRECIATION	13.0	11.0	11.0	11.0	9.0	MASTER LEASE - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	309.0	301.0	328.0	334.0	332.0	OTHER CURRENT LIABILITIES	28.0	31.0	29.0
OPERATING INCOME (LOSS)	15.0	8.0	(31.0)	(37.0)	(35.0)	TOTAL CURRENT LIABILITIES	28.0	31.0	29.0
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	NON-CURRENT LIABILITIES:			
NET INCOME (LOSS)	15.0	8.0	(31.0)	(37.0)	(35.0)	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
BEGINNING RETAINED EARNINGS	43.0	58.0	66.0	35.0	(2.0)	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	4.0	4.0	5.0
ENDING RETAINED EARNINGS	58.0	66.0	35.0	(2.0)	(37.0)	TOTAL NON-CURRENT LIABILITIES	4.0	4.0	5.0
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	32.0	35.0	34.0
IF THESE PROJECTIONS ARE CORRECT THERE WILL BE A CASH SHORTAGE BY THE END OF FY95.						FUND EQUITY:			
THE FOLLOWING COSTS WERE CONSIDERED TO VARY WITH SALES VOLUME: SALARY, PURCHASES SERVICES, AND SUPPLIES.						CONTRIBUTED CAPITAL	67.0	67.0	67.0
THESE FIGURES ASSUME NO INCREASE IN EITHER INDIRECT COSTS OR RENT.						RETAINED EARNINGS	58.0	66.0	35.0
RATE INCREASE/(DECREASE):	3.40%	0.00%	2.20%	0.00%	0.00%	TOTAL FUND EQUITY	125.0	133.0	102.0
FIVE YEAR AVERAGE INCREASE/(DECREASE):	1.12%					TOTAL LIABILITIES & FUND EQUITY	157.0	168.0	136.0

**DEPARTMENT OF ADMINISTRATION
DIVISION of PRINT COMMUNICATIONS**

REVOLVING FUND ACTIVITY: PRINTING SERVICES
BUDGET ACTIVITY: 02-520
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 92

BUDGET ACTIVITY FISCAL SUMMARY – BIENNIAL BUDGET 94 –95
PROGRAM: OPERATIONS MANAGEMENT BUREAU

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	-----PROJECTED----- FY 1994	FY 1995		ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993
OPERATING REVENUES:						ASSETS:			
NET SALES	5,903.0	5,520.0	5,868.0	5,500.0	5,500.0	CURRENT ASSETS:			
LESS: COST OF SALES	5,215.0	4,917.0	5,136.0	4,912.0	4,912.0	CASH	794.0	693.0	650.0
GROSS PROFIT ON SALES	688.0	603.0	732.0	588.0	588.0	OTHER CURRENT ASSETS	927.0	978.0	1,005.0
OTHER REVENUE	0.0	0.0				TOTAL CURRENT ASSETS	1,721.0	1,671.0	1,655.0
NET REVENUES	688.0	603.0	732.0	588.0	588.0	NON-CURRENT ASSETS:	531.0	418.0	362.0
LESS: OPERATING EXPENSES:						TOTAL ASSETS	2,252.0	2,089.0	2,017.0
SALARIES	365.0	322.0	333.0	261.0	261.0	LIABILITIES & FUND EQUITY			
SUPPLIES & EXPENSES	193.0	179.0	191.0	131.0	131.0	LIABILITIES:			
INTEREST EXPENSE	19.0	14.0	8.0	0.0	0.0	CURRENT LIABILITIES:			
INDIRECT COSTS	181.0	170.0	181.0	181.0	181.0	DUE GENERAL FUND – CURRENT	0.0	0.0	0.0
AMORTIZATION & DEPRECIATION	18.0	19.0	19.0	15.0	15.0	MASTER LEASE – CURRENT	75.0	81.0	0.0
TOTAL OPERATING EXPENSES	776.0	704.0	732.0	588.0	588.0	OTHER CURRENT LIABILITIES	413.0	467.0	470.0
OPERATING INCOME (LOSS)	(68.0)	(101.0)	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	488.0	548.0	470.0
NON-OPERATING REVENUES (EXPENSES)	15.0	(14.0)	0.0	0.0	0.0	NON-CURRENT LIABILITIES:			
NET INCOME (LOSS)	(73.0)	(115.0)	0.0	0.0	0.0	DUE GENERAL FUND – NON-CURRENT	0.0	0.0	0.0
BEGINNING RETAINED EARNINGS	296.0	223.0	108.0	108.0	108.0	MASTER LEASE – NON-CURRENT	81.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	95.0	68.0	74.0
ENDING RETAINED EARNINGS	223.0	108.0	108.0	108.0	108.0	TOTAL NON-CURRENT LIABILITIES	176.0	68.0	74.0
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	664.0	616.0	544.0
THE FOLLOWING COSTS WERE CONSIDERED TO VARY WITH SALES VOLUME: SALARY AND COST OF GOODS SOLD. THESE FIGURES ASSUME NO INCREASE IN EITHER INDIRECT COSTS OR RENT.						FUND EQUITY:			
RATE INCREASE/(DECREASE):	0.00%	1.30%	1.20%	0.00%	0.00%	CONTRIBUTED CAPITAL	1,365.0	1,365.0	1,365.0
FIVE YEAR AVERAGE INCREASE/(DECREASE):	0.50%					RETAINED EARNINGS	223.0	108.0	108.0
						TOTAL FUND EQUITY	1,588.0	1,473.0	1,473.0
						TOTAL LIABILITIES & FUND EQUITY	2,252.0	2,089.0	2,017.0

DEPARTMENT OF ADMINISTRATION
DIVISION of PRINT COMMUNICATIONS

REVOLVING FUND ACTIVITY: MINNESOTA'S BOOKSTORE
BUDGET ACTIVITY: 02-515
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 84

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94 -95
PROGRAM: OPERATIONS MANAGEMENT BUREAU

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	-----PROJECTED----- FY 1994 FY 1995			ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	
OPERATING REVENUES:						ASSETS:				
NET SALES	2,127.0	2,062.0	2,148.0	2,148.0	2,148.0	CURRENT ASSETS:				
LESS: COST OF SALES	861.0	844.0	792.0	792.0	792.0	CASH	442.0	552.0	330.0	
GROSS PROFIT ON SALES	1,266.0	1,218.0	1,356.0	1,356.0	1,356.0	OTHER CURRENT ASSETS	553.0	413.0	420.0	
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	995.0	965.0	750.0	
NET REVENUES	1,266.0	1,218.0	1,356.0	1,356.0	1,356.0	NON-CURRENT ASSETS:	153.0	143.0	106.0	
LESS: OPERATING EXPENSES:						TOTAL ASSETS	1,148.0	1,108.0	856.0	
SALARIES	668.0	748.0	737.0	763.0	763.0	LIABILITIES & FUND EQUITY				
SUPPLIES & EXPENSES	378.0	349.0	396.0	381.0	381.0	LIABILITIES:				
INTEREST EXPENSE	0.0	0.0	0.0	0.0	0.0	CURRENT LIABILITIES:				
INDIRECT COSTS	75.0	67.0	66.0	66.0	66.0	DUE GENERAL FUND - CURRENT	0.0	250.0	0.0	
AMORTIZATION & DEPRECIATION	45.0	53.0	57.0	50.0	45.0	MASTER LEASE - CURRENT	0.0	0.0	0.0	
TOTAL OPERATING EXPENSES	1,168.0	1,217.0	1,256.0	1,260.0	1,255.0	OTHER CURRENT LIABILITIES	250.0	194.0	131.0	
OPERATING INCOME (LOSS)	100.0	1.0	100.0	96.0	101.0	TOTAL CURRENT LIABILITIES	250.0	444.0	131.0	
NON-OPERATING REVENUES (EXPENSES)	13.0	14.0	11.0	11.0	0.0	NON-CURRENT LIABILITIES:				
NET INCOME (LOSS)	113.0	15.0	111.0	107.0	101.0	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0	
BEGINNING RETAINED EARNINGS	291.0	403.0	169.0	230.0	337.0	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0	
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	0.0	0.0	0.0	
PRIOR PERIOD ADJUSTMENT	0.0	(250.0)	(50.0)	0.0	0.0	TOTAL NON-CURRENT LIABILITIES	0.0	0.0	0.0	
ENDING RETAINED EARNINGS	404.0	168.0	230.0	337.0	438.0	TOTAL LIABILITIES	250.0	444.0	131.0	
FOOTNOTES TO STATEMENTS:						FUND EQUITY:				
DIFFERENCES DUE TO ROUNDING.						CONTRIBUTED CAPITAL				
THE FOLLOWING COSTS WERE CONSIDERED TO VARY WITH SALES VOLUME:						495.0				
SALARY, COST OF GOODS SOLD, PROMOTIONAL PRINTING, POSTAGE, FREIGHT						RETAINED EARNINGS				
ADVERTISING AND ADDRESSING/INSERTING.						403.0				
THESE FIGURES ASSUME NO INCREASE IN EITHER INDIRECT COSTS OR RENT.						TOTAL FUND EQUITY				
						898.0				
						TOTAL LIABILITIES & FUND EQUITY				
						1,148.0				
						1,108.0				
						856.0				
RATE INCREASE/(DECREASE):	3.75%	0.00%	3.50%	0.00%	0.00%					
FIVE YEAR AVERAGE INCREASE/(DECREASE):	1.45%									

1994-95 Biennial Budget

BUDGET ACTIVITY: Minnesota Office On Volunteer Services (MOVS)
PROGRAM: Operations Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The vision of the Minnesota Office on Volunteer Services (MOVS) is to ensure that Minnesota is at the leading edge of volunteerism. MOVS' mission is to stimulate volunteerism and increase the impact of volunteer programs, citizen participation efforts and public/private partnerships in Minnesota. MOVS accomplishes its mission through promotion, leadership and support of Minnesota's volunteer community which includes: paid and unpaid leaders of volunteers, volunteers, executives of voluntary organizations, nonprofit board and advisory committee members, corporate volunteer leaders, policymakers, media representatives and others.

This activity provides services to public, private and nonprofit volunteer organizations by:

1. **Promotion.** Bringing visibility and public recognition to the values and accomplishments of volunteerism in Minnesota through media events, public speaking and publications.
2. **Leadership.** Identifying and acting on issues of policy and practice that affect volunteerism in Minnesota through monitoring trends, advocacy, research, convening groups and making recommendations.
3. **Support.** Informing, coordinating and maximizing the effectiveness of volunteer programs and initiatives in Minnesota through library services, coordinating programs and events, training, consulting and MOVS memberships.

MOVS supports the Department of Administration's mission by building a strong volunteer community that provides resources and services to state and local government and to the broader community.

MOVS contributes to all 5 Minnesota Milestones themes and plays a major role in attaining several Minnesota Milestones goals. Two indicators for which MOVS has direct responsibility include "percentage of youth who volunteer 1-5 hours a week" and "percentage of Minnesotans volunteering."

BUDGET ISSUES:

Budget issues facing MOVS are related to the rising demand for MOVS services during times of fiscal constraint, as well as the increased complexity of services provided by MOVS. For example, MOVS was recently designated as the lead agency for National and Community Services Act federal funds. This designation has increased the administrative, leadership and service delivery demands on the office. In addition, legislative requests of MOVS have expanded MOVS' responsibilities. For example, last session's crime bill requires the office to develop a comprehensive plan for mentoring and community service.

EFFICIENCY MEASURES:

	F.Y. 1992 (actual)	F.Y. 1993	F.Y. 1994	F.Y. 1995
Number of Members	638	650	650	650
Number of Volunteer Leaders Trained	722	750	750	750
Volunteers Recruited with Media Campaigns	1,800	2,000	2,000	2,000
Number of Volunteers Serving MOVS	350	350	350	350
Number of Consultations	236	250	250	250
Number of Speaking Engagements	37	37	37	37
Non-General Fund Revenue:				
Federal & Other Gifts/Grants	\$47,000	\$697,000	\$697,000	\$697,000

REVENUE:

This activity generates dedicated revenue.

	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Type of Revenue:					
Dedicated - Special	\$ 66	\$ 47	\$ 66	\$ 66	\$ 66
Dedicated - Federal	<u>0</u>	<u>0</u>	<u>631</u>	<u>631</u>	<u>631</u>
Total	\$ 66	\$ 47	\$ 697	\$ 697	\$ 697

GRANTS:

MOVS is the lead agency for National and Community Service Act federal funds. MOVS distributes these federal dollars to state agencies, the University of Minnesota and nonprofit organizations according to specific grant proposals/agreements with the Commission on National and Community Service. The Minnesota Department of Education and the Higher Education Coordinating Board will be recipients of funds and will carry out subgrant processes. In addition, MOVS receives grants from other grantmaking sources in order to carry out services identified in the MOVS performance plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: MN OFFICE VOLUNTEER SERV

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995			
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	
EXPENDITURES:										
DETAIL BY CATEGORY:										
STATE OPERATIONS:										
PERSONAL SERVICES	208	218	230	231	238	231	231	246	239	
EXPENSES/CONTRACTUAL SRVCS	79	56	64	65	81	81	65	83	83	
MISC OPERATING EXPENSES	29	26	23	23	23	23	23	23	23	
SUPPLIES/MATERIALS/PARTS	5	35	5	5	5	5	5	5	5	
CAPITAL EQUIPMENT		5	1	1	1	1	1	1	1	
OTHER	5	4	4	4	4	4	4	4	4	
SUBTOTAL STATE OPERATIONS	326	344	327	329	352	345	329	362	355	
LOCAL ASSISTANCE			631	631	631	631	631	631	631	
TOTAL EXPENDITURES	326	344	958	960	983	976	960	993	986	
GOV'S INITIATIVES:										
									FUND	

(A) SALARY PLANNING ESTIMATES										GEN

						<7>				
						=====				
TOTAL GOV'S INITIATIVES						<7>				
SOURCES OF FINANCING:										
DIRECT APPROPRIATIONS:										
GENERAL	272	290	255	257	280	273	257	290	283	
STATUTORY APPROPRIATIONS:										
SPECIAL REVENUE	54	54	72	72	72	72	72	72	72	
FEDERAL			631	631	631	631	631	631	631	
TOTAL FINANCING	326	344	958	960	983	976	960	993	986	

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: MN OFFICE VOLUNTEER SERV

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
POSITIONS BY FUND:									
GENERAL	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
SPECIAL REVENUE	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL POSITIONS	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0

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1994-95 Biennial Budget

BUDGET ACTIVITY: Office of Dispute Resolution
PROGRAM: Operations Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

This activity promotes the use of procedures other than litigation for resolving disputes affecting state and/or local government agencies by providing information, technical assistance and training. The office:

1. Provides mediation services to public agencies desiring neutral third-party assistance in resolving disputes;
2. Designs dispute resolution systems for managing recurring disputes;
3. Facilitates meetings of an informational, fact-finding, policy development or regulatory nature;
4. Sponsors training seminars to improve the conflict management skills of public employees and elected officials; and
5. Promotes increased awareness and use of dispute resolution alternatives by preparing, collecting, and distributing information, initiating special projects and sponsoring educational conferences.

In August 1992, in conjunction with the Minnesota Department of Education, the office initiated a statewide mediation program to assist parents and school districts in resolving disputes involving children with special education needs. The office also provides leadership in a collaborative project with the Association of Metropolitan Municipalities designed to increase the use of mediation in resolving disputes involving municipal agencies and/or local citizens.

BUDGET ISSUES:

The office was transferred to the Department of Administration from the State Planning Agency effective 7-1-92 along with a general fund appropriation for F.Y. 1992-93. Through its strategic planning process, the department has determined that the activity can best be delivered through the Management Analysis Division and made a revolving fund activity for F.Y. 1994-95 for better service delivery and to enable agencies using the services to underwrite its costs.

EFFICIENCY MEASURES:

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
Negotiation training participants	270	270	150
Facilitations	5	2	9
Mediations	4	3	5
Neutral fact-findings	0	0	1
Conferences/workshops	1	3	3
Estimated savings over litigation	no est.	no est.	*\$125,000
Requests for information	10	20	50
Interagency agreements	0	0	1

* Estimated savings in legal fees, per the Attorney General's Office, resulting from the successful mediation of a single lawsuit involving the Department of Human Services.

REVENUE:

This activity generates dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Type of Revenue:					
Dedicated - Special	\$ 2	\$ 20	\$ 22	\$ 22	\$ 22
Dedicated - Federal	0	38	72	72	72
Dedicated - Gifts & Deposits	<u>7</u>	<u>3</u>	<u>8</u>	<u>8</u>	<u>8</u>
Total	\$ 9	\$ 61	\$ 102	\$ 102	\$ 102

GRANTS:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: OFFICE OF DISPUTE RESOLUTN

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES		81	126	127	56	76	127	56	76
EXPENSES/CONTRACTUAL SRVCS		31	60	61	58	58	61	58	58
MISC OPERATING EXPENSES		4	7	7	3	3	7	3	3
SUPPLIES/MATERIALS/PARTS		8	4	4	3	3	4	3	3
CAPITAL EQUIPMENT		5							
SUBTOTAL STATE OPERATIONS		129	197	199	120	140	199	120	140
TOTAL EXPENDITURES		129	197	199	120	140	199	120	140
GOV'S INITIATIVES:									
			FUND						
(B) DISPUTE RESOLUTION FUNDING			GEN			20			20
TOTAL GOV'S INITIATIVES						20			20
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		82	78	80	1	21	80	1	21
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		18	22	22	22	22	22	22	22
FEDERAL		18	87	87	87	87	87	87	87
GIFTS AND DEPOSITS		11	10	10	10	10	10	10	10
TOTAL FINANCING		129	197	199	120	140	199	120	140
POSITIONS BY FUND:									
GENERAL		1.0	1.0	1.0			1.0		

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: OFFICE OF DISPUTE RESOLUTN

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS		1.0	1.0	1.0			1.0		

F.Y. 1994-95 INVESTMENT INITIATIVE

ACTIVITY: Office of Dispute Resolution
PROGRAM: Operations Management
AGENCY: Administration, Department of

ITEM TITLE: Reorganization Order Implementation - Office of Dispute Resolution

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$20	\$20	\$20	\$20

Statutory Change? Yes _____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund biennial appropriation of \$40,000 to the Commissioner of Administration for facilitating a planned reorganization of the Office of Dispute Resolution to the Bureau of Mediation Services.

The Office of Dispute Resolution was moved from State Planning to the Department of Administration in the 1991 session.

The Department of Administration submitted a budget plan that converted the activity to a complete fee-supported activity and eliminated the general funded appropriation.

After reviewing the function, it was agreed that it belonged more appropriately in the Bureau of Mediation Services. An agreement was reached between the agencies that the Department of Administration will match the above funding and transfer the funding, with the responsibility of the activity, to the Bureau of Mediation Services.

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1994-95 Biennial Budget

PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

PROGRAM PURPOSE:

The mission of the InterTechnologies Group (InterTech) is to provide service in managing and operating information technology resources to help improve the quality and productivity of Minnesota government.

InterTech services include: data processing, telecommunications, micrographics, records storage, land management information, and 9-1-1. Approximately 90% of the services are provided for a fee. The remainder are funded by other means because they are of benefit to the state as a whole or directly serve citizens. These other activities are generally funded (telecommunications analysts, telephone communications center, land management); funded by grants (land management); or funded by special revenue (9-1-1).

Customers are primarily the public sector, state agencies, the legislature, K-12 education, higher education, cities and counties, the courts, and libraries. A limited number of customers are from the private sector.

InterTech will play an important role in achieving public policy objectives and Minnesota Milestone goals because technology is a key tool for success. We expect our role to include:

- Providing interagency information (data bases) to cohesively manage "children's programs";
- Providing statewide telecommunications to facilitate "learning" and more effective state government;
- Providing the central computing and network necessary to implement "MinnesotaCare" which improves every Minnesotan's chance to achieve a healthy life; and
- Providing the central computing and network necessary to implement a "statewide accounting system" which improves the effectiveness of human resource and financial management within state government.

PROSPECTS:

In F.Y. 1992, InterTech completed a comprehensive strategic planning process, prompted by the results of a cost and services management study, completed in 1991. Input from InterTech customers and employees was used to analyze the information technology needs of customers and redesign the organization to more effectively deliver services. In addition to the above mission statement, InterTech has defined broad goals and specific strategies to achieve short- and long-term results. InterTech's strategic objectives include:

- Building capable resources focused on identifying and meeting customer needs;
- Developing a product portfolio that meets customer needs, is technically current, and financially viable;
- Creating effective partnerships with customers and developing clearly defined roles for the entire information community;
- Positioning InterTech to be a state leader in information technology by fully utilizing technology to solve business problems;

- Developing policies, practices, and management systems which facilitate InterTech's ability to maintain a flexible and technically current workforce which responds quickly, effectively, and efficiently to changing customer demands and adds value beyond that which can be supplied by other sources;
- Integrating strategic, biennial, and annual planning systems; and
- Seeking agency cooperation in integrating optimal technology which balances effective decentralized information management with the efficiencies and information sharing capabilities available through centralized telecommunications and computing resources.

OUTCOMES:

InterTech Overall:

One of InterTech's goals is to provide cost-effective management and operations of technology to its customers. InterTech has successfully leveraged its existing resources over an expanding workload volume. As a result of these economics of scale, we have seen significant rate reductions:

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Rate Reductions:	(8%)	(36%)	(12%)

The above calculations are based on a weighted average rate for all of InterTech's services. Additional detail on rates is provided at the activity level.

Computer Services:

InterTech has established service level agreements with its 6 largest customers. These agreements identify specific objectives for data processing availability and performance (response time). InterTech measures and reports on these objectives each month. For the past 6 months, InterTech has met 97% of its objectives.

Approximately 60-70% of the monthly customer problem calls are resolved by the help desk within 3 to 5 minutes. The remainder are referred to a second level of support and monitored until resolved to the customer's satisfaction.

Computer Services and Telecommunications:

InterTech has begun measuring the numbers of billing credits for the Computer and Telecommunications funds. This information indicates InterTech's ability to properly order or delete services per customer requests, meet performance requirements, and accurately bill. For F.Y. 1992, the Computer Fund had 978 credits. The Telecommunications Fund had 163 credits totaling \$106,000 or 1% of revenue. InterTech will continue to track this information in F.Y. 1993 for comparative purposes.

Micrographics/Records Center:

Quality Assurance Forms completed by customers show 95% satisfaction with these services. This information is obtained annually for all customers and by project for new customers. For unsatisfied or somewhat satisfied customers, a personal contact is made to ensure problem resolution.

Telecommunications:

InterTech has continued to negotiate the best volume rates possible, including the recent Statewide Telecommunications Access and Routing Systems (STARS) contract, and has made these available

1994-95 Biennial Budget

PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of
 (Continuation)

to all state agencies. As a result, the average customer using a combination of voice long distance, 800 service, local service, and data lines has experienced flat or slightly lower rates during the biennium. InterTech's custom Centron costs are substantially less than those for neighboring states. Over 6,700 telephone feature changes are made each year by the Communications Center for agencies at a fraction of the cost by another telephone company. Approximately 26,000 state directories are printed and distributed to state agencies annually.

Land Management Information Center:

In the F.Y. 1992-93 biennium, InterTech's Land Management Information Center (LMIC) general fund accomplished 10 major initiatives related to the development of a data clearinghouse. These initiatives include the creation of the Governor's Council on Geographic Information; a tri-agency Memorandum of Understanding on Geographic Information Systems (GIS); a statewide data plan status report; federal/state cooperative funding arrangements; compatibility guidelines for water data; development of a Data Standards report; and 4 major data base acquisitions.

The LMIC revolving fund effectively increased its client base 14.6%, satisfying customer needs, and improving its financial health.

9-1-1:

By End of CY	Dollars in Thousands			
	1977	1982	1986	1992
Event	9-1-1 Law in Effect	Metro Mandate December 15	State Mandate December 15	(Projected) Mid-F.Y. 1993
Coverage*	14%	61%	86.8%	99.97%
Enhanced	0%	51%	60.9%	67.9%
F.Y. Budget	\$38	\$1,363	\$3,168	\$4,160
Funding Source	General	General	Fee	Fee

*Percent of state population that receives this service.

OBJECTIVES:

The major quantifiable objectives for all InterTech for the next biennium are:

- Maintaining or reducing rates;
- Developing customer credit measures for all services billed and effectively implementing business improvement strategies based on this measurement data; and
- Continuing to meet, at a minimum, 97% of InterTech's service level objectives.

Other major objectives:

- Implementing the organization redesign resulting from InterTech's strategic analysis;
- Implementing disaster recovery capabilities;

- Integrating STARS and Telecommunications revolving funds into a single congruent telecommunications operation;
- Continuing optical disk task force and, if proven effective, implementing results;
- Working with Governor's Council on Geographic Information to reduce redundant data collection and encouraging data sharing; and
- Implementing major initiatives (Statewide Systems Project, Electronic Data Interchange, client/server technology, STARS, DB2, data security, and disaster recovery) without an increase in rates.

PROGRAM PLAN:

As a result of InterTech's strategic planning activity, InterTech is now focused on 3 key business components (telecommunications, data services, and computer operations) which are linked and supported by a streamlined business management and control function. Implementation of InterTech's strategic plan is underway. InterTech will complete its reorganization phase in the second quarter of F.Y. 1993. This phase will shift staff resources to technical and customer service activities and away from internal support functions.

As the implementation of the strategic plan continues, emphasis will be placed on:

- Improving outcome measures, and clearly defining accountability for outcomes;
- Improving performance management;
- Increasing staff's technical proficiency and business management skills;
- Maintaining competitive staffing and spending levels while improving service delivery; and
- Stringently evaluating the market demand and growth potential of products and services.

As part of the Department of Administration's strategic planning process, 2 of InterTech's functions will be transferred to other bureaus in F.Y. 1993. The Micrographics and Records Center function will move to Print Communications. Through the transfer of 1 staff person, the GIS information policy function will be transferred to the Information Policy Office.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: a biennial increase in funding above the agency plan level of \$3,450,000 for an Advanced Telecommunication Investment Strategy. The Governor also recommends that proposed funding be reduced due to salary planning estimates.

LCMR Projects

The Governor acknowledges the process and allocations of the Legislative Commission on Minnesota Resources; Commission recommendations are reflected in agency plans. However, the Governor encourages the Legislature to review allocations of LCMR funds within the context of the overall budget. The Governor has prepared alternative recommendations that build upon the Commission's allocations in areas that coincide with the Governor's environmental priorities. See the LCMR section in the Environment and Natural Resources budget volume for overall comparison of Commission recommendations with the Governor's proposals.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: INTERTECHNOLOGIES GROUP

ACTIVITY RESOURCE ALLOCATION:	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MICROGRAPHICS/RECORDS CENTER	181	94							
TELECOMMUNICATIONS	1,091	1,316	1,492	1,242	1,201	3,495	1,242	1,246	2,339
911 EMERGENCY SERVICES	4,420	5,068	4,160	4,160	4,160	4,160	4,160	4,160	4,160
LAND MANAGEMENT INFORMATION CENTER		2,426	4,261	2,109	2,506	1,691	2,108	1,454	1,444
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	5,692	8,904	9,913	7,511	7,867	9,346	7,510	6,860	7,943
GOV'S INITIATIVES:									
			FUND						
(A) ADVANCED TELECOMM INVESTMENT STRATEGY			GEN			2,325			1,125
(A) SALARY PLANNING ESTIMATES			GEN			<46>			<42>
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			MET			<710>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			MNR			<90>			
=====						=====			=====
TOTAL GOV'S INITIATIVES						1,479			1,083
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST		244	1,856		710				
GENERAL	1,272	2,337	2,432	2,246	1,802	4,081	2,245	1,595	2,678
MN RESOURCES		323	333		90				
HEALTH CARE ACCESS			27						
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	4,158	4,770	4,160	4,160	4,160	4,160	4,160	4,160	4,160
SPECIAL REVENUE	256	1,199	1,105	1,105	1,105	1,105	1,105	1,105	1,105
FEDERAL	6	31							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	5,692	8,904	9,913	7,511	7,867	9,346	7,510	6,860	7,943
POSITIONS BY FUND:									
GENERAL	26.0	42.0	40.0	40.0	30.0	34.0	40.0	30.0	34.0
STATE GOVT SPEC REV	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
SPECIAL REVENUE	.0	22.0	22.0	22.0	30.0	30.0	22.0	30.0	30.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INTERTECHNOLOGIES GROUP

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
COMPUTER SYS (ISF)	295.0	295.0	297.0	297.0	297.0	297.0	297.0	297.0	297.0
TOTAL POSITIONS	324.0	362.0	362.0	362.0	360.0	364.0	362.0	360.0	364.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Computer Fund
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Computer Revolving Fund provides information services including: shared processing, network management, electronic mail, data entry, and computer output to microfilm. InterTech's primary market comprises over 13,500 mainframe users in various state and local government agencies throughout Minnesota. The largest concentrations of customers are in the departments of Human Services, Revenue, Public Safety, Transportation, Finance, and Employee Relations. Approximately 60% of state agency external data processing budgets are spent on InterTech's Computer Fund services.

The Computer Fund is a key factor in InterTech's evolution toward being a state leader in technology, and fund management is working toward improving business capabilities. All of the major factors impacting accomplishment of program goals listed in the program "prospects" and "objectives" are being actively managed by the Computer Fund.

BUDGET ISSUES:

Because the Computer Fund is a service which supports other agencies, both the Department of Administration and its customer agencies need to be considered when defining Computer Fund budget issues.

Historically, periods marked by poor economic indicators and tight budgets have resulted in increased business for the Computer Fund. The increase comes from 2 sources: additional customer volumes in public support systems, and increased interest in leveraging technology to accomplish program goals. These opportunities for the Computer Fund create corresponding budget issues. Overhead costs increase as a result of assessing the costs and benefits of technical solutions to customers' business problems. Overhead must be carefully managed to minimize the impact on Computer Fund rates. Another budget issue is the difficulty of making accurate volume predictions with customers in sufficient time to anticipate additional resource needs.

State priorities, including increased efficiency of state government and Minnesota Milestones, will raise budget issues for the Computer Fund. As the state continues to modify, add and change programs, there will be a corresponding adjustment to information systems. At this time, InterTech's customers are not able to anticipate the extent of these changes.

The Department of Administration is placing a major emphasis on improving the discipline with which it runs its businesses. The goal is to assure that each service is competitive and clearly delivers added value to customers. InterTech will continue to improve its understanding of what drives its workload volume and cost, and the relationship between the two. This information, along with clear definitions of customers' service level expectations, will determine whether services should be enhanced or dropped from InterTech's product line. As decisions are made to drop services, InterTech will manage the process, both within the fund and with the customers of

discontinued services. As decisions are made to enhance service levels, InterTech must accomplish this within budget.

In preparing its F.Y. 1994-95 budget, InterTech has made several critical assumptions relating to its ability to continually improve its capability to effectively serve customers. Two key assumptions are:

- Continue implementation of the disaster recovery program, and
- Make hardware investments, where appropriate, to leverage economies of scale without increasing rates.

The other critical budget assumption is a change in depreciation methods for CPU investments. As a result of this change, generally accepted accounting principles require InterTech to make a prior period adjustment, increasing retained earnings by \$3 million. This change in depreciation methods is necessary because:

- Depreciation better matches the useful life of the asset, and thus its market value at time of sale; and
- Cash inflows from depreciation are better matched to the cash outflows for loan repayments.

Because of InterTech's past depreciation method, the Computer Fund's cash balance exceeds current operating needs. By the end of the biennium, however, the cash balance will be reduced to \$6 million. By the end of F.Y. 1997, the cash balance will be \$4.6 million. The cash balance will decline from F.Y. 1993 to F.Y. 1995 because loan repayments exceed depreciation expense (which is in rates and thus results in cash) by \$3.9 million. During F.Y. 1996-97, loan repayments exceed depreciation by \$1.6 million. In prior years, InterTech's depreciation exceeded our loan repayments, thus resulting in excess cash. This trend is now reversing. The planned change in depreciation methods will reduce these extreme variances in cash inflows and outflows.

The current cash balance is also high because InterTech's accounts receivable balance is artificially low due to the rebates in InterTech's April 1992 bills. Once the accounts receivable balance increases to its usual level, cash will decline. Cash will also be reduced by the planned loss in F.Y. 1994. This loss (rate reduction) is necessary to reduce cash to the fund's operating needs level.

1994-95 Biennial Budget

BUDGET ACTIVITY: Computer Fund
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of
 (Continuation)

EFFICIENCY MEASURES:

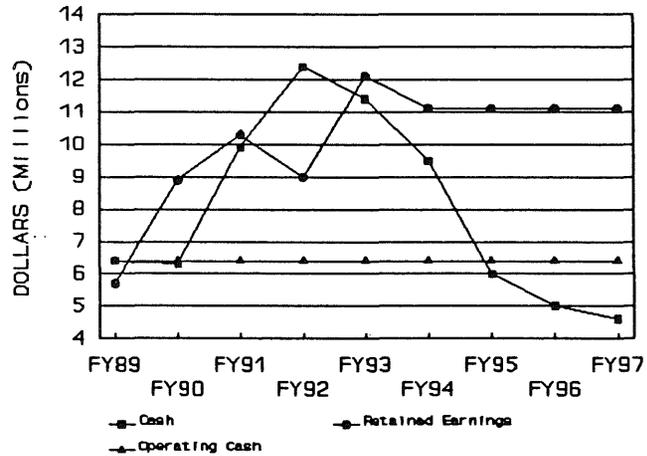
Rate decreases and rebates in the past 3 years indicate an ongoing ability to leverage the shared technology environment. In addition, we anticipate a 13% reduction in the next biennium.

Percent Rate Decrease: F.Y. 1991 - (4%) F.Y. 1992 - (43%) F.Y. 1993 - (17%)

Rebates: F.Y. 1991 - \$3.5M F.Y. 1992 - \$6.0M

The following graph depicts InterTech's past and projected cash and retained earnings balances:

Cash vs. Retained Earnings



As the graph shows, retained earnings must be maintained at a much higher level than cash to provide the necessary level of operating cash. Operating needs require sufficient cash to cover 2 months of expenses, or \$6.4 million.

REVENUE:

This activity generates revolving fund revenue. (See financial page.)

GRANTS:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: COMPUTER_FUND

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL EXPENDITURES									
SOURCES OF FINANCING:									
TOTAL FINANCING									
POSITIONS BY FUND:									
COMPUTER SVS (ISF)	266.4	270.3	272.3	272.3	272.3	272.3	272.3	272.3	272.3
TOTAL POSITIONS	266.4	270.3	272.3	272.3	272.3	272.3	272.3	272.3	272.3

**DEPARTMENT OF ADMINISTRATION
DIVISION of COMPUTER SERVICES**

REVOLVING FUND ACTIVITY: COMPUTER SERVICES
BUDGET ACTIVITY: 02-410
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 97

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94-95
PROGRAM: INTERTECHNOLOGIES GROUP

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	PROJECTED FY 1994	PROJECTED FY 1995		ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993
OPERATING REVENUES:						ASSETS:			
NET SALES	37,726.2	35,166.8	37,355.0	36,585.0	37,365.0	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0				CASH	9,879.2	12,364.4	11,400.0
GROSS PROFIT ON SALES	37,726.2	35,166.8	37,355.0	36,585.0	37,365.0	OTHER CURRENT ASSETS	5,456.8	3,680.9	4,474.6
OTHER REVENUE	55.2	57.1				TOTAL CURRENT ASSETS	15,336.1	16,045.3	15,874.6
NET REVENUES	37,781.3	35,223.8	37,355.0	36,585.0	37,365.0	NON-CURRENT ASSETS:	20,377.1	13,451.0	16,738.6
LESS: OPERATING EXPENSES:						TOTAL ASSETS	35,713.1	29,496.3	32,613.2
SALARIES	10,532.9	10,349.6	10,965.0	11,350.0	11,750.0	LIABILITIES & FUND EQUITY			
SUPPLIES & EXPENSES	13,311.8	11,734.5	16,095.0	16,385.0	16,785.0	LIABILITIES:			
INTEREST EXPENSE	1,534.6	1,569.9	1,500.0	1,300.0	1,100.0	CURRENT LIABILITIES:			
INDIRECT COSTS	723.6	676.9	550.0	550.0	550.0	DUE GENERAL FUND - CURRENT			
AMORTIZATION & DEPRECIATION	10,712.5	13,257.0	9,400.0	9,000.0	8,000.0	MASTER LEASE - CURRENT	4,919.8	6,188.0	9,700.0
TOTAL OPERATING EXPENSES	36,815.3	37,588.1	38,500.0	38,585.0	38,185.0	OTHER CURRENT LIABILITIES	6,371.9	2,765.5	2,400.0
OPERATING INCOME (LOSS)	966.0	(2,364.2)	(1,145.0)	(2,000.0)	(800.0)	TOTAL CURRENT LIABILITIES	11,291.7	8,953.5	12,100.0
NON-OPERATING REVENUES (EXPENSES)	862.1	1,019.3	1,200.0	1,000.0	800.0	NON-CURRENT LIABILITIES:			
NET INCOME (LOSS)	1,828.2	(1,345.0)	55.0	(1,000.0)	0.0	DUE GENERAL FUND - NON-CURRENT			
BEGINNING RETAINED EARNINGS	8,890.7	10,268.5	8,992.2	12,047.2	11,047.2	MASTER LEASE - NON-CURRENT	12,994.4	11,185.7	8,100.0
PRIOR PERIOD ADJUSTMENT	(450.3)	68.6	3,000.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	1,152.6	359.0	360.0
ENDING RETAINED EARNINGS	10,268.5	8,992.2	12,047.2	11,047.2	11,047.2	TOTAL NON-CURRENT LIABILITIES	14,146.9	11,544.7	8,460.0
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	25,438.6	20,498.2	20,560.0
						FUND EQUITY:			
						CONTRIBUTED CAPITAL	6.0	6.0	6.0
RATE INCREASE/(DECREASE):	-4.00%	-43.00%	-17.00%	-9.00%	-4.00%	RETAINED EARNINGS	10,268.5	8,992.2	12,047.2
						TOTAL FUND EQUITY	10,274.5	8,998.2	12,053.2
FIVE YEAR AVERAGE INCREASE/(DECREASE):	-15.40%					TOTAL LIABILITIES & FUND EQUITY	35,713.1	29,496.3	32,613.2

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1994-95 Biennial Budget

GRANTS:

BUDGET ACTIVITY: Micrographics/Records Center
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

None.

ACTIVITY DESCRIPTION:

The Micrographics/Records Center unit's services include micro-imaging of records to reduce storage and retrieval costs, disaster recovery capabilities, and low-cost storage, retrieval, and refiling of records. In addition, the Micrographics unit is researching optical disk and scanning technologies for even further efficiencies.

The unit performs the majority of its work for state government agencies (98%); the largest customers are Labor & Industry, Finance, Secretary of State, and Jobs & Training.

BUDGET ISSUES:

Because the unit operates as a revolving fund activity, most of its operating expenses vary with production levels. By increasing productivity, reducing discretionary expenses, and increasing production levels by building its customer base, the unit plans to reduce its ratio of operating expenses to revenues. This would enable the unit to not increase its rates in F.Y. 1994 and F.Y. 1995. There is a large potential market for the unit's services. All state agencies will be forced to reduce costs. This activity provides a viable opportunity for agency cost savings without loss in service delivery.

The unit has historically operated without the conventional retained earnings balance of twice monthly expenses for normal operations and emergencies. As a revolving fund, revenues were matched to expenses and rates reduced when a retained earnings buildup occurred. To alleviate cash flow problems, retained earnings will be raised to approximately \$50,000 by F.Y. 1996.

This operation will be transferred to Print Communications in F.Y. 1993.

EFFICIENCY MEASURES:

Estimated cost to store 30,000 boxes in the Records Center per year is \$178,000 vs. \$212,000 in private storage.

Of the costs associated with the Records Center, salaries (62%) and rent (14%) comprise the majority. During the last 4 fiscal years, the program's rates have had an average increase of 2% per year, vs. an average increase in salaries of 3.9%.

Accounts Receivable: A major emphasis was placed on reducing accounts receivable in F.Y. 1992. In F.Y. 1991, year-end receivables were \$72,000 on revenues of \$659,000. In F.Y. 1992, receivables dropped to \$40,000 on revenues of \$711,000.

REVENUE:

This activity generates revolving fund revenue. (See financial page.)

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: MICROGRAPHICS/RECORDS CENTER

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	69	41							
EXPENSES/CONTRACTUAL SRVCS	106	52							
MISC OPERATING EXPENSES	1								
SUPPLIES/MATERIALS/PARTS	1								
CAPITAL EQUIPMENT	4	1							
SUBTOTAL STATE OPERATIONS	181	94							
TOTAL EXPENDITURES	181	94							
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	181	94							
TOTAL FINANCING	181	94							
POSITIONS BY FUND:									
GENERAL	2.0	2.0	.0	.0	.0	.0	.0	.0	.0
COMPUTER SVS (ISF)	15.6	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1
TOTAL POSITIONS	17.6	18.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1

DEPARTMENT OF ADMINISTRATION
DIVISION OF MICROGRAPHICS/RECORDS CENTER

REVOLVING FUND ACTIVITY: MICROGRAPHICS/RECORDS CENTER
BUDGET ACTIVITY: 02-443
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 97

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94 - 95
PROGRAM: INTERTECHNOLOGIES GROUP

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	* OPERATIONS DATA *					* FINANCIAL DATA *			
	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	PROJECTED FY 1994	PROJECTED FY 1995	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	
OPERATING REVENUES:						ASSETS:			
NET SALES	658.9	796.6	1,054.0	1,054.0	1,054.0	CURRENT ASSETS:			
LESS: COST OF SALES	58.2	69.4	68.6	68.6	68.6	CASH	21.9	3.2	78.6
GROSS PROFIT ON SALES	600.7	727.2	985.4	985.4	985.4	OTHER CURRENT ASSETS	143.9	175.9	162.5
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	165.8	179.1	241.1
NET REVENUES	600.7	727.2	985.4	985.4	985.4	NON-CURRENT ASSETS:	73.6	111.1	110.0
LESS: OPERATING EXPENSES:						TOTAL ASSETS	239.4	290.2	351.1
SALARIES	427.3	488.2	594.6	650.0	663.0	LIABILITIES & FUND EQUITY			
SUPPLIES & EXPENSES	155.9	242.0	258.1	255.6	255.6	LIABILITIES:			
INTEREST EXPENSE	4.8	6.2	6.2	6.2	6.2	CURRENT LIABILITIES:			
INDIRECT COSTS	37.8	35.9	34.4	34.4	34.4	DUE GENERAL FUND - CURRENT	0.0	1.0	0.0
AMORTIZATION & DEPRECIATION	21.3	25.0	32.5	32.5	32.5	MASTER LEASE - CURRENT	16.6	28.3	27.0
TOTAL OPERATING EXPENSES	647.1	797.3	925.6	978.7	991.7	OTHER CURRENT LIABILITIES	48.5	89.8	89.0
OPERATING INCOME (LOSS)	(46.4)	(70.1)	59.6	6.7	(6.3)	TOTAL CURRENT LIABILITIES	65.1	119.1	116.0
NON-OPERATING REVENUES (EXPENSES)	4.9	6.0	6.6	6.6	6.6	NON-CURRENT LIABILITIES:			
NET INCOME (LOSS)	(41.9)	(64.1)	66.2	13.3	0.3	DUE GENERAL FUND - NON-CURRENT	2.5	0.1	0.0
BEGINNING RETAINED EARNINGS	46.8	5.3	(29.4)	36.8	50.1	MASTER LEASE - NON-CURRENT	55.5	81.5	80.0
PRIOR PERIOD ADJUSTMENT	0.0	29.4	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	0.0	0.0	0.0
ENDING RETAINED EARNINGS	5.3	(29.4)	36.8	50.1	50.4	TOTAL NON-CURRENT LIABILITIES	58.0	81.6	80.0
FOOTNOTES TO STATEMENTS:						FUND EQUITY:			
FY93 estimate here is different from estimate in FY93 pro forma to reflect current information.						CONTRIBUTED CAPITAL	111.0	118.9	118.3
RATE INCREASE/(DECREASE):	2.30%	5.60%	2.30%	0.00%	0.00%	RETAINED EARNINGS	5.3	(29.4)	36.8
						TOTAL FUND EQUITY	116.3	89.5	155.1
FIVE YEAR AVERAGE INCREASE/(DECREASE):	2.04%					TOTAL LIABILITIES & FUND EQUITY	239.4	290.2	351.1

1994-95 Biennial Budget

BUDGET ACTIVITY: Telecommunications
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

InterTech's Telecommunications services are supported by a combination of general and revolving funds.

State statutes establishing the Statewide Telecommunications Access and Routing System (STARS) call for the development of a unified statewide telecommunications network to provide transmission of voice, data, and video information. This statewide network, serving a broad range of Minnesota's public sector, improves public sector efficiency and enhances service delivery for the citizens of the state.

The state has contracted with private sector vendors to lease dedicated, high-capacity transmission lines and to procure network equipment to combine and route high-speed digital communications across the state. A shared telecommunications network provides a unified approach for state agencies, local governments, and education to achieve economies of scale and allow enhanced network services at the lowest possible cost to users. In addition, this approach facilitates communication across organizational and geographic boundaries.

Previous decision-making and funding practices resulted in data and video networks that were primarily functionally or organizationally based, with little cross communication and little opportunity for cost sharing of transmission facilities. A unified statewide network can smooth and improve communications across agencies as well as maximize the return on investment in the public services.

Telecommunications Revolving Fund:

The purpose of the Telecommunications revolving fund is to provide telecommunications services in 4 major product categories:

1. Long distance voice network services,
2. Local voice services,
3. Data transmission services, and
4. Video communications services.

STARS services are currently being implemented and have already reduced the cost of delivering long distance voice service. Currently, the largest telecommunications customers for voice services are the State University System, and the departments of Natural Resources, Human Services, Public Safety, and Transportation.

A high capacity digital backbone network is being implemented for data and video services that will connect state, local, and educational agencies throughout the state. An interactive video conference service is being deployed to improve communications between rural and urban parts of the state, reduce travel costs, improve productivity, and reduce implementation time.

Telecommunications General Fund:

The Telecommunications general fund consists of 2 components, the Capitol Communications Center and the Telecommunications Analysts group. The Capitol Communications Center provides information referral services to the public, audio conferencing services, the state telephone directory, telephone order processing, and telephone repair coordination for state agencies.

The Telecommunications Analysts group provides consulting expertise to plan, design, and implement telecommunications systems; develops statewide procurement contracts; monitors regulatory issues and intervenes before the Public Utilities Commission when necessary to hold down state government telecommunications costs. This group works to establish uniform, cost-effective deployment of new telecommunications technology by state agencies.

BUDGET ISSUES:

Telecommunications Revolving Fund:

The revolving fund operation must achieve economies of scale to make new communications services affordable to the fund's customers. This requires that the InterTechnologies Group have a strong customer focus. In addition, it suggests the need to shift from multiple networks to a single, unified network.

In the future, state directives for telecommunications funding should encourage the development of a unified statewide telecommunications system rather than continue the past practice of funding functionally, institutionally and regionally based networks. By their nature, these independent networks can only support a limited range of public sector users and offer little opportunity for sharing transmission or network operational costs.

Telecommunications network services offer significant opportunities to take advantage of economies of scale throughout the public sector in Minnesota. A shift in funding policy will allow us to take advantage of these economies of scale, improve technology transfer to users, and speed communications service deployment. As a result, Minnesota will more rapidly achieve the goal of a high-capacity, high-connectivity, statewide network. A network of contemporary technology will permit the state to implement more efficient government operations, avoid the cost of maintaining outdated systems, and realize savings through economies of scale.

Telecommunications General Fund:

The general fund expenditures for telecommunications have been decreased 5% each year for the past biennium in order to meet budget guidelines. As agencies take advantage of new technologies to improve productivity and efficiency, their demand for support and consulting services increases. The explosive growth in data communications, such as local area networks (LANS) or host-based data networks, is one example of this growth. Another is the use of voice response and recognition equipment to more cost effectively handle inquiries to state agencies for information and assistance. The increasing demand for technology-based solutions, coupled with decreasing funding, will most likely result in a reduced ability to meet the consulting services requirement of this function.

1994-95 Biennial Budget

BUDGET ACTIVITY: Telecommunications
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of
 (Continuation)

EFFICIENCY MEASURES:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Telecommunications General Fund:				
Number of Voice Teleconferences	2,341	2,541	2,695	2,750
Number of Feature Changes	5,150	6,200	6,720	7,000
Telecommunications Revolving Fund:				
Long Distance Rate (\$ per minute)	\$0.27	\$0.20	\$0.20	\$0.20
Voice Mail Rate (\$/mailbox/month)	\$15	\$15	\$12	\$10

REVENUE:

This activity generates dedicated and revolving fund revenue. (See financial page for revolving fund revenue.)

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Type of Revenue:					
Dedicated - General					
STARS Project	\$ 0	\$ 148	\$ 200	\$ 0	\$ 0
Dedicated - Health Care Access					
Health Right	<u>0</u>	<u>0</u>	<u>27</u>	<u>0</u>	<u>0</u>
Total	\$ 0	\$ 148	\$ 227	\$ 0	\$ 0

GRANTS:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: TELECOMMUNICATIONS

ACTIVITY SUMMARY	FY 1993			FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	758	873	879	883	913	1,107	883	944	1,137
EXPENSES/CONTRACTUAL SRVCS	125	194	199	172	151	651	172	151	251
MISC OPERATING EXPENSES	175	236	172	145	95	695	145	109	709
SUPPLIES/MATERIALS/PARTS	18	12	9	9	9	9	9	9	9
CAPITAL EQUIPMENT	15	1	33	33	33	1,033	33	33	233
SUBTOTAL STATE OPERATIONS	1,091	1,316	1,292	1,242	1,201	3,495	1,242	1,246	2,339
LOCAL ASSISTANCE			200						
TOTAL EXPENDITURES	1,091	1,316	1,492	1,242	1,201	3,495	1,242	1,246	2,339
GOV'S INITIATIVES:									
			FUND						
(A) ADVANCED TELECOMM INVESTMENT STRATEGY			GEN			2,325			1,125
(A) SALARY PLANNING ESTIMATES			GEN			<31>			<32>
TOTAL GOV'S INITIATIVES						2,294			1,093
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,091	1,316	1,465	1,242	1,201	3,495	1,242	1,246	2,339
HEALTH CARE ACCESS			27						
TOTAL FINANCING	1,091	1,316	1,492	1,242	1,201	3,495	1,242	1,246	2,339
POSITIONS BY FUND:									
GENERAL	24.0	24.0	24.0	24.0	24.0	28.0	24.0	24.0	28.0
COMPUTER SVS (ISF)	13.0	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: TELECOMMUNICATIONS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	37.0	32.6	32.6	32.6	32.6	36.6	32.6	32.6	36.6

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Administration, Department of
PROGRAM: Inter Technologies Group
ACTIVITY: Telecommunications

ITEM TITLE: Advanced Telecommunications Investment Strategy

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Expenditures: (\$000s)				
General Fund				
- State Operations	\$2,325	\$1,125	\$500	\$500

Statutory Change? Yes _____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends investment to:

- speed implementation of a high capacity digital telecommunications network and increase economies of scale. (\$1,200,000)
- create a clearing house for planning and deploying advanced information technologies. (\$1,050,000)
- accelerate completion of a network operations center for coordinated management of a unified statewide network. (\$1,200,000)

The Information Policy Office has reviewed and supports this project if funding is available consistent with any requirement identified in its analysis.

The advanced Telecommunications Investment Strategy addresses the need to speed deployment of advanced communications technologies to achieve economies of scale. Rapidly changing communications technologies and lack of coordinated decision making among branches and levels of government impedes the fast establishment of a unified statewide network. The state needs to improve its position to take substantial advantage of the promise that new communications technologies hold for the redesign of public service delivery, especially in elementary, secondary, and higher education.

PROGRAM OUTCOMES:

- 1) An increased number of public sector organizations using advanced communications technologies to bring their products and services to the citizens of the state with greater efficiency and effectiveness.
- 2) An informed public sector workforce with the knowledge and the skills to use advanced communications technologies to improve public service delivery.

LONG-TERM IMPACT:

Maximum return of the state's investment in communications technologies and the improvement of the state's competitive position in information age global economies will be the long-term impact of the Advanced Telecommunications Investment Initiative. Short-term strategic investments by the state will propel Minnesota closer to the leading edge in communication technology deployment. A strong, unified telecommunications service infrastructure acknowledges the interdependencies between state and local government agencies in public service delivery and allows for the re-design of how public service is delivered to the citizens of the state.

**DEPARTMENT OF ADMINISTRATION
DIVISION of TELECOMMUNICATIONS**

REVOLVING FUND ACTIVITY: TELECOMMUNICATIONS/STARS
BUDGET ACTIVITY: 02-430
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 97

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94-95
PROGRAM: INTERTECHNOLOGIES GROUP

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	-----PROJECTED----- FY 1994 FY 1995			ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993
OPERATING REVENUES:						ASSETS:			
NET SALES	8,456.5	9,505.0	12,486.0	14,342.0	15,723.0	CURRENT ASSETS:			
LESS: COST OF SALES	7,371.1	8,585.0	9,346.2	10,185.0	11,186.0	CASH	1,973.8	5,340.9	3,318.2
GROSS PROFIT ON SALES	1,085.4	920.0	3,139.8	4,157.0	4,537.0	OTHER CURRENT ASSETS	1,377.0	1,557.2	1,875.4
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	3,350.8	6,898.1	5,193.6
NET REVENUES	1,085.4	920.0	3,139.8	4,157.0	4,537.0	NON-CURRENT ASSETS:	238.8	175.8	2,294.2
LESS: OPERATING EXPENSES:						TOTAL ASSETS	3,589.6	7,073.9	7,487.8
SALARIES	364.5	462.2	545.5	525.6	525.6	LIABILITIES & FUND EQUITY			
SUPPLIES & EXPENSES	444.2	650.7	2,563.8	1,719.4	1,253.5	LIABILITIES:			
INTEREST EXPENSE	29.8	21.1	135.4	211.1	250.0	CURRENT LIABILITIES:			
INDIRECT COSTS	321.8	299.6	546.7	350.0	350.0	DUE GENERAL FUND - CURRENT	320.0	4,218.8	101.5
AMORTIZATION & DEPRECIATION	10.5	7.8	298.8	730.0	1,215.0	MASTER LEASE - CURRENT	117.0	26.9	0.0
TOTAL OPERATING EXPENSES	1,170.8	1,441.4	4,090.2	3,536.1	3,594.1	OTHER CURRENT LIABILITIES	796.1	833.2	1,057.4
OPERATING INCOME (LOSS)	(85.4)	(521.4)	(950.4)	620.9	942.9	TOTAL CURRENT LIABILITIES	1,233.1	5,078.9	1,158.9
NON-OPERATING REVENUES (EXPENSES)	1.3	21.1	135.4	211.1	942.9	NON-CURRENT LIABILITIES:			
NET INCOME (LOSS)	(84.1)	(500.3)	(815.0)	832.0	1,885.8	DUE GENERAL FUND - NON-CURRENT	230.0	101.5	59.5
BEGINNING RETAINED EARNINGS	(778.6)	(862.7)	(1,363.0)	(2,178.0)	(1,346.0)	MASTER LEASE - NON-CURRENT	217.1	0.0	2,187.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	430.1	914.5	4,918.4
ENDING RETAINED EARNINGS	(862.7)	(1,363.0)	(2,178.0)	(1,346.0)	539.8	TOTAL NON-CURRENT LIABILITIES	877.2	1,016.0	7,164.9
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	2,110.3	6,094.9	8,323.8
						FUND EQUITY:			
						CONTRIBUTED CAPITAL	2,342.0	2,342.0	1,342.0
RATE INCREASE/(DECREASE):	0.00%	0.00%	2.10%	-1.60%	-1.60%	RETAINED EARNINGS	(862.7)	(1,363.0)	(2,178.0)
						TOTAL FUND EQUITY	1,479.3	979.0	(836.0)
FIVE YEAR AVERAGE INCREASE/(DECREASE):	-0.26%					TOTAL LIABILITIES & FUND EQUITY	3,589.6	7,073.9	7,487.8

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1994-95 Biennial Budget

BUDGET ACTIVITY: 9-1-1 Emergency Services
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The 9-1-1 emergency number system is designed to provide the public with immediate access to emergency services. 9-1-1 saves time for the caller, and consequently reduces overall response time for all emergency service providers. Additional time is potentially saved with enhanced 9-1-1 systems, which provide vital location and/or telephone number information to the local 9-1-1 center.

The Minnesota 9-1-1 program provides technical assistance to the cities and counties implementing, maintaining, and improving 9-1-1 systems, enforcing rules which set system standards, and paying the state share of 9-1-1 costs from funds collected through a monthly statewide telephone surcharge.

Our primary customers are the 112 public safety answering points operated by cities and counties. In a broader sense, however, every telephone subscriber in Minnesota is also a customer of the 9-1-1 program.

BUDGET ISSUES:

This activity is funded by dedicated telephone surcharge fee receipts. Funds are collected through a monthly statewide telephone fee, set by statute at not less than 8 cents per month on each telephone line. The fee amount (currently 18 cents per month) is set by the commissioner of administration, with the consent of the commissioner of finance.

The department closely follows issues affecting telephone rates (network charges from telephone companies comprise 95.4% of 9-1-1 expenditures) and makes every attempt to efficiently operate the 9-1-1 program.

Several telephone companies currently have requests for tariff increases before the Public Utilities Commission. While the department will intervene in these cases to ask that costs be kept reasonable, it is expected that 9-1-1 charges from companies will increase.

On the other hand, the department recently determined that a large telephone service provider has overbilled the state for 9-1-1 service. The pending rebate and reduced future charges from this company will enable the department to reduce the 18-cent charge.

M.S. Chapter 403 dedicates 9-1-1 receipts for the maintenance and improvement of 9-1-1 systems. The 9-1-1 fee of 18 cents creates a relatively small surplus in the 9-1-1 special revenue fund each year which is carried forward to subsequent years.

The availability of a carry-forward balance, impending rebate of overcharges, and reduction of expenses provide an opportunity to decrease the 9-1-1 fee, while still improving and upgrading 9-1-1 systems. We anticipate being able to reduce the rate in F.Y. 1994 to 14 cents per month.

EFFICIENCY MEASURES:

InterTech has maintained the 18-cent fee since 1988 and projects that the rate can be reduced to 14 cents per month in F.Y. 1994.

REVENUE:

This activity generates dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Type of Revenue:					
Dedicated - State Government					
Special Revenue	\$4,581	\$4,909	\$4,160	\$4,160	\$4,160

GRANTS:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: 911 EMERGENCY SERVICES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	118	126	128	128	128	128	128	128	128
EXPENSES/CONTRACTUAL SRVCS	3	4	3	3	3	3	3	3	3
MISC OPERATING EXPENSES	4,292	4,836	4,007	4,007	4,007	4,007	4,007	4,007	4,007
SUPPLIES/MATERIALS/PARTS	1	1	1	1	1	1	1	1	1
OTHER		69	21	21	21	21	21	21	21
SUBTOTAL STATE OPERATIONS	4,414	5,036	4,160	4,160	4,160	4,160	4,160	4,160	4,160
AIDS TO INDIVIDUALS		27							
LOCAL ASSISTANCE	6	5							
TOTAL EXPENDITURES	4,420	5,068	4,160	4,160	4,160	4,160	4,160	4,160	4,160
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	4,158	4,770	4,160	4,160	4,160	4,160	4,160	4,160	4,160
SPECIAL REVENUE	256	267							
FEDERAL	6	31							
TOTAL FINANCING	4,420	5,068	4,160	4,160	4,160	4,160	4,160	4,160	4,160
POSITIONS BY FUND:									
STATE GOVT SPEC REV	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL POSITIONS	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

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1994-95 Biennial Budget

BUDGET ACTIVITY: Land Management Information Center (LMIC)
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

LMIC General Fund:

- LMIC's general fund is used to promote an "open systems environment" for the user community of geographic information. Through the promotion of data standards and quality control activities, LMIC fosters efficient data sharing, open access and interconnectivity of geographic information systems (GIS). General fund activities fall in several broad categories as follows:
 1. **Community database coordination;** LMIC is assigned by the Legislative Commission on Minnesota Resources (LCMR) to verify compatibility of all data created by LCMR-funded projects; in addition LMIC actively works to reduce redundant database development across agencies.
 2. **Community data clearinghouse;** acquisition and management of on-line information systems (DATANET).
 3. **Technology transfer;** LMIC maintains and updates a GIS directory so that agencies can leverage data for multiple purposes; LMIC also initiates federal/state cooperative funding programs.
 4. **Computer programming and operations;** LMIC develops databases for multi-agency use, such as the groundwater and nitrate databases; in addition, LMIC promotes the use of standard environmental analysis software (EPPL7). The beneficiaries of these activities include nearly every governmental, educational and library resource in the state.

LMIC Revolving Fund:

- LMIC's revolving fund is used to provide custom GIS services to public agencies on a fee-for-service basis. This activity enables state, regional and local units of government to use geographic data for such applications as development of desktop mapping systems, production of presentation maps, and natural resource modeling and analysis.
- During F.Y. 1993, state agencies constituted 63% of all revolving fund revenues; local governments, 19%; other agencies, primarily regional and federal, 17%; and private groups, 1%. In F.Y. 1993, the revolving fund's top 3 customers were the Department of Natural Resources Division of Forestry, the U.S. Justice Department, and the Minnesota Legislature.

BUDGET ISSUES:

NOTE: Strategic planning conducted by the Department of Administration in 1992 has prompted further study of LMIC's general fund and revolving fund activities. The study, which is in progress, will examine the concurrent use of both funding sources within LMIC.

LMIC General Fund:

- This budget reflects shifting half of LMIC's general fund activities to its revolving fund. The general fund reduction is proposed as a means to help achieve the state's budget objectives. It is consistent with the department's long-standing philosophy that whenever possible and feasible, the department's products and services will be supported through user fees.

If implemented, the proposed budget would transfer 8 of the current 15 general fund FTE positions to the revolving fund. The remaining general fund staff would provide operational and administrative support for the technology center and clearinghouse and manage remaining program elements as described below. The study currently underway is examining the impact, viability, and potential risks of implementing these shifts. The descriptions below include the number of staff to be transferred and the potential risks if LMIC's revolving fund revenues are insufficient.

EPPL7 (Environmental Planning and Programming Language—1/2 FTE position transferred.

- LMIC has upgraded this software package annually to keep pace with evolving technology. EPPL7 is used by over 300 Minnesota government organizations. At the recommended funding level, further development and upgrades would be supported by the revolving fund.

DATANET—2 FTE positions transferred.

- DATANET draws on databases containing economic, census, natural resource and infrastructure data. General fund dollars are used to maintain, enhance and operate the system. The potential risk is that, at reduced funding levels, no new efficiencies may be developed or implemented. The addition of new data to DATANET might be limited to that which becomes available through paying customers' revolving fund projects.

Statewide Database Coordination—1 FTE position transferred.

- As other agencies develop geographic databases, LMIC works with developers to ensure compliance with the state's compatibility guidelines and to provide overall quality control. This activity enables agencies to access data from diverse sources without the need for time-consuming "conversion" processes before the data can be used for multiple purposes. At reduced funding levels, this activity may take place only for priority projects.

Statewide Data Clearinghouse—1 FTE position transferred.

- LMIC has published an annual directory of geographic databases in Minnesota, identifying the location and content of these databases for the user community. LMIC promotes distribution and use of the catalog to prevent development of redundant databases. LMIC plans to begin automation of the catalog during the F.Y. 1994-95 biennium. The potential risk is that the catalog may be published in only 1 year of the biennium; automation may be postponed indefinitely. LMIC also serves other agencies by receiving and "filling" orders for geographic data from the community at large. By procuring the data, LMIC facilitates access to automated information. At reduced funding levels, this activity may not be performed by LMIC; responsibility may revert to the agencies which maintain the data.

Technology Transfer—1/2 FTE position transferred.

- LMIC undertakes the education of state and local government agencies to promote the active, efficient use of geographic data, to inform the community of opportunities for joint funding of geographic information projects, to initiate and obtain support for further development projects

1994-95 Biennial Budget

BUDGET ACTIVITY: Land Management Information Center (LMIC)
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of
 (Continuation)

will fill gaps in available databases. At reduced funding levels, these activities may not be performed.

Computer Programming and Operations—1 FTE position transferred.

- Programming and computer operations necessary to support LMIC's community database activities are paid through the general fund. At reduced funding levels, these activities may be limited to initial development of the groundwater database and the nitrate database projects. Funding and staffing may not be available for ongoing maintenance of the databases.

Office and Clerical Support—1 FTE position transferred.

LMIC Revolving Fund:

- LMIC's revolving fund projects ultimately contribute new data to the community data clearinghouse. Because other agencies are not mandated to use LMIC's development resources, maintaining competitive client rates is essential to continue this work.

EFFICIENCY MEASURES:

LMIC General Fund:

- As the amount of geographic data grows at accelerated rates, LMIC general fund activities focus increasingly on data integration and technology transfer to leverage the data resource. The amount of geographic data available in 1992 was 7 times that of 1989. By 1994, the amount of geographic data held by LMIC is anticipated to increase 26 times. Efficiencies in the computer operations can be illustrated by a historical look at operations staffing and equipment supported:

	<u>1980</u>	<u>1985</u>	<u>1990-92</u>
Computer Operations Staff	4	3.5	1.5
Equipment Supported			
Unix Workstations	0	0	2
PCs	0	6 (AT, XT)	30 (286-486s)
Mainframe Storage	75 MB	1,165 MB	2,015 MB
Large Plotters	1	3	4
Digitizing Stations	2	4	6

LMIC Revolving Fund:

- The revolving fund is continually searching for ways to keep client rates affordable. For example, in F.Y. 1993, monthly computer maintenance costs were reduced by 60%, from \$3,500 to \$1,400 per month. This cost savings was passed along to LMIC clients.

REVENUE:

This activity generates dedicated revenue. (See financial page.)

GRANTS:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: LAND MANAGEMENT INFORMATION CENTER

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES		1,316	1,612	1,615	1,219	1,204	1,615	1,065	1,055
EXPENSES/CONTRACTUAL SRVCS		633	2,128	255	965	255	254	177	177
MISC OPERATING EXPENSES		56	87	86	80	80	86	60	60
SUPPLIES/MATERIALS/PARTS		55	46	46	45	45	46	45	45
CAPITAL EQUIPMENT		118	110	70	70	70	70	70	70
OTHER		8	37	37	37	37	37	37	37
SUBTOTAL STATE OPERATIONS		2,186	4,020	2,109	2,416	1,691	2,108	1,454	1,444
LOCAL ASSISTANCE		240	241		90				
TOTAL EXPENDITURES		2,426	4,261	2,109	2,506	1,691	2,108	1,454	1,444
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<15>			<10>
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			MET			<710>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			MNR			<90>			
TOTAL GOV'S INITIATIVES						<815>			<10>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST		244	1,856		710				
GENERAL		927	967	1,004	601	586	1,003	349	339
MN RESOURCES		323	333		90				
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		932	1,105	1,105	1,105	1,105	1,105	1,105	1,105
TOTAL FINANCING		2,426	4,261	2,109	2,506	1,691	2,108	1,454	1,444

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: LAND MANAGEMENT INFORMATION CENTER

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
POSITIONS BY FUND:									

GENERAL	.0	16.0	16.0	16.0	6.0	6.0	16.0	6.0	6.0
SPECIAL REVENUE	.0	22.0	22.0	22.0	30.0	30.0	22.0	30.0	30.0
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	.0	38.0	38.0	38.0	36.0	36.0	38.0	36.0	36.0

DEPARTMENT OF ADMINISTRATION
DIVISION of LAND MANAGEMENT INFORMATION CENTER

REVOLVING FUND ACTIVITY: LMIC
BUDGET ACTIVITY: 02-420
TYPE OF FUND: SPECIAL REVENUE FUND
FUND NUMBER: 20

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94 - 95
PROGRAM: INTERTECHNOLOGIES GROUP

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	PROJECTED			ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993
				FY 1994	FY 1995				
OPERATING REVENUES:	818.3	943.5	945.0	898.0	898.0	ASSETS:			
NET SALES	818.3	943.5	945.0	898.0	898.0	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	50.3	109.4	128.3
GROSS PROFIT ON SALES	818.3	943.5	945.0	898.0	898.0	OTHER CURRENT ASSETS	200.5	170.9	155.0
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	250.8	280.3	283.3
NET REVENUES	818.3	943.5	945.0	898.0	898.0	NON-CURRENT ASSETS:	146.1	189.6	200.7
LESS: OPERATING EXPENSES:						TOTAL ASSETS	396.9	469.9	484.0
SALARIES	531.0	547.8	561.0	550.0	566.5	LIABILITIES & FUND EQUITY			
SUPPLIES & EXPENSES	335.4	241.0	237.0	221.0	218.0	LIABILITIES:			
INTEREST EXPENSE	0.0	0.0	0.0	0.0	0.0	CURRENT LIABILITIES:			
INDIRECT COSTS	33.9	7.8	37.0	35.0	35.0	DUE GENERAL FUND - CURRENT	12.8	10.7	10.7
AMORTIZATION & DEPRECIATION	41.0	48.4	70.0	72.0	75.0	MASTER LEASE - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	941.3	845.0	905.0	878.0	894.5	OTHER CURRENT LIABILITIES	237.1	172.7	157.5
OPERATING INCOME (LOSS)	(123.0)	98.5	40.0	20.0	3.5	TOTAL CURRENT LIABILITIES	249.9	183.4	168.2
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	NON-CURRENT LIABILITIES:			
NET INCOME (LOSS)	(123.0)	98.5	40.0	20.0	3.5	DUE GENERAL FUND - NON-CURRENT	38.3	34.7	24.0
BEGINNING RETAINED EARNINGS	(42.7)	(162.8)	(19.7)	20.3	40.3	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	2.9	44.6	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	0.0	0.0	0.0
ENDING RETAINED EARNINGS	(162.8)	(19.7)	20.3	40.3	43.8	TOTAL NON-CURRENT LIABILITIES	38.3	34.7	24.0
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	288.2	218.1	192.2
RATE INCREASE/(DECREASE):	N.A.(3)	N.A.(3)	4.50%	2.00%	2.00%	FUND EQUITY:			
FIVE YEAR AVERAGE INCREASE/(DECREASE):	2.80% (averaged over three year period)					CONTRIBUTED CAPITAL	271.5	271.5	271.5
						RETAINED EARNINGS	(162.8)	(19.7)	20.3
						TOTAL FUND EQUITY	108.7	251.8	291.8
						TOTAL LIABILITIES & FUND EQUITY	396.9	469.9	484.0

- 1) The operating loss for FY91 relates to changeover in staff and transition to new workstation computing environment.
- 2) Prior period adjustment for FY92 is to adjust clients obligations, correcting for revenues understated in prior year.
- 3) Comparisons to prior years cannot be made because in FY92 LMIC made a transition from a computing rate method based on resource units to a method involving multipliers on staffing costs.

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1994-95 Biennial Budget

PROGRAM: Facilities Management (formerly Property Management)
AGENCY: Administration, Department of

PROGRAM PURPOSE:

Facilities Management provides development and control services affecting the land and buildings owned or leased by the state (with the exception of certain Department of Natural Resources, Department of Transportation, and State University Systems properties). This program manages the real estate operations of state facilities by planning, designing, constructing, operating, maintaining, leasing, renovating, and preserving state buildings and grounds. It develops comprehensive strategies to control physical assets using computer modeling and spatial, technological, and program projections.

Facilities Management contributes to the Minnesota Milestone goal of making "government in Minnesota more efficient" by providing a cost-effective, safe, and healthy workplace for our employees.

PROSPECTS:

1. Long-range strategic plan.

- A strategic plan for locating state agencies in the metropolitan area is being developed. This will guide the state in its key real estate, capital bonding, and energy management decisions for the next 20 years.

2. Capital Budget Reform.

- Administration is incorporating many of the Capital Budget Reform determinations into its program to improve the way the state charges rent to agencies, repairs and preserves its office buildings, and controls its life cycle costs through an integrated infrastructure data base system.

3. Change in strategic direction.

- Facilities Management has merged its Energy Conservation Division into the Plant Management Division and will focus on specific energy retrofit projects for user agencies under utility loan programs. Plant Management will be reorganized to take on a broader spectrum of properties throughout the metro area and through its new Energy Management Services section statewide.
- In addition, Building Codes and Standards will expand its regulatory standards and function through implementation of the Americans with Disabilities Act (ADA). The Building Construction Division will expand its implementation of Capital Budget Reform with the addition of 5 positions to manage the Computer Aided Design (CAD) and SARA systems of the database management program and financial analysis of acquisition alternatives.

OUTCOMES:

The Facilities Management Bureau has collected data on the following programs to demonstrate outcomes which are the historic measures of the bureau's performance toward its goals.

Division of State Building Construction. In F.Y. 1992, Facilities Management was involved in 142 in-house projects, compared with 122 in F.Y. 1991. Staff hours expended in professional and technical consulting services increased 23%, from 4,805 hours to 5,921 hours.

Building Codes and Standards Division. In F.Y. 1992, conducted training of 2,081 participants over 38 days. In F.Y. 1992, 691 construction documents were reviewed at a construction value of \$470,500,000, compared with 618 in F.Y. 1991 at a value of \$473,000,000.

Real Estate Management Division. Increased the amount of square feet (SF) of state-owned facilities leased from 1,333,000 SF in F.Y. 1986 to over 1,491,000 SF in F.Y. 1992, while the number of transactions decreased slightly from 136 to 128 in those same fiscal years. Increased the amount leased in non-state-owned space from 2,196,000 SF in F.Y. 1986 in 490 transactions to 2,877,000 SF in 570 transactions in F.Y. 1992.

Plant Management Division. Increased the number of square feet (SF) cleaned per employee from 2,800 SF in F.Y. 1991 to 2,950 SF in F.Y. 1992. Out of central operations and maintenance, the number of work orders completed in F.Y. 1991 increased from 4,454 to 4,519 in F.Y. 1992. Rebated \$1.8 million in rent to agencies housed in the Capitol complex in F.Y. 1992.

Energy Conservation Division. As part of the department's strategic planning, this division was merged into the Plant Management Division and is now called Energy Management Services.

OBJECTIVES:

1. Long-range strategic plan for locating state agencies.

- Complete by 10-1-93.
- Begin use in 1994 capital budget preparation.

2. Capital Budget Reform.

- Adjust rental rates in state-owned buildings.
- Charge for depreciation and interest on bonded debt for capital improvements to state-owned facilities.

3. Changes in strategic direction.

- Retrofit projects to save no less than \$3.0 million per year, through energy loan program.
- Establish CAD and SARA software in infrastructure management systems.
- Expand planned maintenance program.
- Statewide implementation of ADA.

4. Measurements of importance.

- Begin to change ratio of state leased to state owned from 60-40% to 50-50% over biennium.

1994-95 Biennial Budget

PROGRAM: Facilities Management (formerly Property Management)
AGENCY: Administration, Department of
(Continuation)

-
- Planning and construction of approved buildings statewide.
 - Negotiation of over 825 lease transactions.
 - Management of 3,000,000 SF of state-owned facilities and 88 acres of grounds.
 - Award and monitor grants for new/remodeled facilities.
 - Continue \$5.9 million sewer separation project in the Capitol complex to meet EPA guidelines.
 - Increase parking revenues through rate increase and reduction in agency subsidies.

PROGRAM PLAN:

Facilities Management will redefine several of its existing operating strategies, including:

- Plant Management will become more broad-based with the transfer of Energy Conservation and Resource Recovery into Plant Management. Planned maintenance programs will be automated to ensure better, more efficient building operations which will extend facilities' life cycles, reducing continuous capital reinvestments.
- Building Construction will implement key Capital Budget Reform determinations with computer-aided design (CAD) and use of the SARA software system. These will be used to provide an integrated facilities database to better assess building needs, establish comparative value among similar facilities in terms of space utilization, program suitability, building quality, and to set priorities on a statewide basis. This investment of \$385,000 in staff and equipment carries out the original intent of the governor and the legislature in the 1991 session of reforming the capital budgeting process through the integrated database system.
- Building Codes and Standards will seek and/or support legislation to turn over responsibility for licensing manufactured structure (mobile home) dealers to the Department of Commerce and approval of fire suppression systems to the state fire marshal. In addition, the division will focus on implementation and interpretation of the Americans with Disabilities Act (ADA).

By transferring 2 activities to more appropriate regulatory agencies, the Codes Division will be able to implement ADA, be more responsive to local building officials, provide more training, and shorten turnaround time for plan reviews and code interpretation activities. The staff can thereby take on more statewide inspection activity, decreasing the amount of fees required for contract inspections.

- The former Energy Conservation Division has been transferred to Plant Management and will be known as Energy Management Services. The Energy Conservation director's position and 1 other managerial position have been eliminated.

Energy Management has changed its strategic direction by focusing more on 2 key statewide programs; the utility loan-energy retrofit program and a systematic planned maintenance program. The energy loan program necessitates the addition of a project coordinator to oversee project audits, contract negotiations, and implementation. An automated planned maintenance

program will further systematize the ongoing preventive maintenance program, regulate the cost of operating facilities, conserve energy by keeping the building infrastructure systems running efficiently and, in the long run, delay, reduce, or preclude major capital expenditures.

5. Governor's Recommendation

The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: a biennial increase in funding above the agency plan level of \$212,000 for relocation funds, which are proposed in the Capital Budget and represent the General Fund portion, to move a majority of the Department of Public Safety out of the state-owned Transportation Building to an alternate location to facilitate building improvements. The Governor also recommends that proposed funding be reduced due to salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: FACILITIES MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
REAL ESTATE MANAGEMENT	269	286	288	291	305	509	292	313	304
PLANT MANAGEMENT	519	963	1,286	1,204	1,029	1,029	1,204	1,029	1,029
BUILDING CODE & STANDARDS	1,393	1,524	1,788	1,744	1,655	1,613	1,744	1,720	1,677
BUILDING CONSTRUCTION	2,816	8,530	2,731	2,694	2,709	2,651	2,695	2,793	2,733
ENERGY CONSERVATION	420	388	351	354	329	320	354	338	328
TOTAL EXPENDITURES BY ACTIVITY	5,417	11,691	6,444	6,287	6,027	6,122	6,289	6,193	6,071
GOV'S INITIATIVES:			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<117>			<122>
(B) AGENCY RELOCATION			GEN			212			
TOTAL GOV'S INITIATIVES						95			<122>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,849	3,915	4,749	4,592	4,332	4,427	4,594	4,498	4,376
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	73	28							
SPECIAL REVENUE	519	963	1,029	1,029	1,029	1,029	1,029	1,029	1,029
FEDERAL	795	4,504	451	451	451	451	451	451	451
NE MN ECONOMIC PROT	4								
AGENCY	57	6	4	4	4	4	4	4	4
GIFTS AND DEPOSITS	120	2,275	211	211	211	211	211	211	211
TOTAL FINANCING	5,417	11,691	6,444	6,287	6,027	6,122	6,289	6,193	6,071
POSITIONS BY FUND:									
GENERAL	62.3	62.3	67.3	67.3	66.3	66.3	67.3	66.3	66.3
SPECIAL REVENUE	7.7	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
PLANT MANAGEMENT	186.7	206.8	206.8	206.8	206.8	206.8	206.8	206.8	206.8

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: FACILITIES MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	256.7	276.5	281.5	281.5	280.5	280.5	281.5	280.5	280.5

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1994-95 Biennial Budget

BUDGET ACTIVITY: Real Estate Management
PROGRAM: Facilities Management Bureau
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

Key activities of this division are:

- Provides, allocates and leases state-owned and non-state-owned real property to house state agencies in quality space at the most economical rent.
- Generates revenue by leasing out state-owned real property temporarily not needed for state use.
- Provides space programming and monitors construction for compliance with terms and conditions of leases.
- Assists agencies in acquiring and disposing of real property, issuing utility easements and permits, and transferring custodial control of property between agencies.
- Coordinates state child care activities, including managing the Capitol Complex Child Care Center vendor contract.

BUDGET ISSUES:

As part of Capitol Budget reform, the division plays a key role in analyzing what is the most economical approach to acquiring space in a given situation, including whether to construct state-owned buildings, purchase existing buildings or lease non-state-owned buildings. Additionally, the division is responsible for analyzing alternative methods of financing construction or purchase of real property.

EFFICIENCY MEASURES:

	<u>F.Y. 1986</u>	<u>F.Y. 1988</u>	<u>F.Y. 1990</u>	<u>F.Y. 1992</u>
Departmental Leases:				
Total in effect	98	90	94	94
Total transactions	136	118	129	128
Square feet (000's)	1,333	1,357	1,355	1,491
Cost per square foot	\$0.02	\$0.02	\$0.03	\$0.03
Commercial Leases:				
Total in effect	687	739	773	811
Total transactions	490	617	608	570
Square feet (000's)*	2,196	2,606	2,750	2,877
Cost per square foot*	\$0.12	\$0.10	\$0.11	\$0.10

* Does not include leases for real property such as boat slips, monitoring sites, aircraft hangers, land, radio towers and motorcycle skill-testing sites since they are not leased on a per square foot basis.

	<u>F.Y. 1986</u>	<u>F.Y. 1988</u>	<u>F.Y. 1990</u>	<u>F.Y. 1992</u>
Income Leases:				
Total in effect	103	119	118	118
Total transactions	105	99	136	132
Cost per transaction (000's)	\$306	\$321	\$282	\$283

REVENUE:

This activity generates non-dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Type of Revenue:					
Non-dedicated - Gen'l					
Leasing Activity	\$275	\$353	\$ 11	\$ 10	\$ 10
Land Activity	7	86	130	140	140
	—	—	—	—	—
Total Revenue	\$282	\$439	\$141	\$150	\$150

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: REAL ESTATE MANAGEMENT

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	217	227	231	232	246	238	232	253	244
EXPENSES/CONTRACTUAL SRVCS	37	45	45	47	47	259	48	48	48
MISC OPERATING EXPENSES	8	8	8	8	8	8	8	8	8
SUPPLIES/MATERIALS/PARTS	4	3	4	4	4	4	4	4	4
CAPITAL EQUIPMENT	3	3							
SUBTOTAL STATE OPERATIONS	269	286	288	291	305	509	292	313	304
TOTAL EXPENDITURES	269	286	288	291	305	509	292	313	304
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<8>			<9>
(B) AGENCY RELOCATION			GEN			212			
TOTAL GOV'S INITIATIVES						204			<9>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	269	286	288	291	305	509	292	313	304
TOTAL FINANCING	269	286	288	291	305	509	292	313	304
POSITIONS BY FUND:									
GENERAL	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
TOTAL POSITIONS	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3

**DEPARTMENT OF ADMINISTRATION
DIVISION of PLANT MANAGEMENT**

REVOLVING FUND ACTIVITY: LEASES, MATERIALS TRANSFER, REPAIR OTHER JOBS
BUDGET ACTIVITY: 02-307
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 82

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94-95
PROGRAM: FACILITIES MANAGEMENT BUREAU

(Dollars in thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	PROJECTED FY 1994 FY 1995			ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993
OPERATING REVENUES:						ASSETS:			
NET SALES	14,760.7	19,758.3	22,167.9	24,154.6	25,126.1	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	2,110.4	1,804.7	1,013.2
GROSS PROFIT ON SALES	14,760.7	19,758.3	22,167.9	24,154.6	25,126.1	OTHER CURRENT ASSETS	677.3	3,836.6	2,584.1
OTHER REVENUE	366.7	299.0	285.0	306.3	357.5	TOTAL CURRENT ASSETS	2,787.7	5,643.3	3,597.3
NET REVENUES	15,127.4	20,057.3	22,452.9	24,460.9	25,483.6	NON-CURRENT ASSETS:			
LESS: OPERATING EXPENSES:						TOTAL ASSETS			
SALARIES	5,748.2	6,166.9	6,983.9	7,255.4	7,509.3		1,393.3	1,393.4	1,723.9
SUPPLIES & EXPENSES	5,897.8	7,126.7	8,963.4	8,713.3	8,922.3	LIABILITIES & FUND EQUITY			
INTEREST EXPENSE	327.9	3,099.0	4,394.4	5,455.1	5,285.7	LIABILITIES:			
INDIRECT COSTS	394.8	346.6	365.8	365.8	378.6	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	2,065.7	2,589.4	2,769.3	3,661.4	3,571.4	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	14,434.4	19,312.6	23,476.8	25,451.0	25,667.3	MASTER LEASE - CURRENT	124.0	70.4	45.7
OPERATING INCOME (LOSS)	693.0	744.7	(1,023.9)	(990.1)	(183.7)	OTHER CURRENT LIABILITIES	860.3	3,044.1	2,362.3
NON-OPERATING REVENUES (EXPENSES)						TOTAL CURRENT LIABILITIES			
	23.7	6.1	5.0	5.0	5.0		984.3	3,114.5	2,406.0
NET INCOME (LOSS)	716.7	750.8	(1,018.9)	(985.1)	(178.7)	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	1,617.6	2,334.3	3,085.1	2,066.2	1,081.1	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	75.3	48.3	58.3
ENDING RETAINED EARNINGS	2,334.3	3,085.1	2,066.2	1,081.1	902.4	OTHER NON-CURRENT LIABILITIES	132.6	135.1	135.0
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES			
HISTORY CENTER INCLUDED AS OF 1/1/92.									
REBATE FY93 \$1,400,000 PER LAWS 1992, Chapter 513, Article 4, Section 22, Subdivision 3						TOTAL LIABILITIES			
						1,192.2 3,297.9 2,601.3			
RATE INCREASE/(DECREASE):						FUND EQUITY:			
LEASES	-1.37%	1.20%	2.80%	3.20%	1.30%	CONTRIBUTED CAPITAL			
MATERIALS TRANSFER	2.46%	4.90%	0.48%	5.00%	5.00%	654.5 653.7 653.7			
REPAIR/OTHER JOBS	0.64%	4.33%	0.51%	3.00%	3.00%	RETAINED EARNINGS			
						2,334.3 3,085.1 2,066.2			
FIVE YEAR AVERAGE INCREASE/(DECREASE):						TOTAL FUND EQUITY			
LEASES	1.43%					2,988.8 3,738.8 2,719.9			
MATERIALS TRANSFER	3.57%					TOTAL LIABILITIES & FUND EQUITY			
REPAIR/OTHER JOBS	2.30%					4,181.0 7,036.7 5,321.2			

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1994-95 Biennial Budget

BUDGET ACTIVITY: Plant Management
PROGRAM: Facilities Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

Plant Management provides a continuum of building, grounds and professional services specific to the customers' needs and strives to deliver consistent, quality services to ensure cost-effective, clean, safe and environmentally sound buildings and grounds for users. Services include building maintenance, cafeteria management, energy management, grounds, materials transfer, parking, janitorial services, resource recovery, and special use permits.

BUDGET ISSUES:

- Plant Management strives to maintain quality building environments that meet the needs of our customers while controlling operating costs and lease rates.
- The repair and replacement appropriation will be reduced by \$350,000 during the F.Y. 1994-95 biennium, and appropriate project costs will be incorporated into lease rates.
- To help balance the state budget in F.Y. 1993, Plant Management rebated \$1,800,000 to state agencies housed in facilities managed by Plant Management through the lease rate process during F.Y. 1993. The division has reduced costs to minimal levels and will have to increase rates in F.Y. 1994-95 to cover the cost of essential services.
- The Division of Energy Conservation is being merged with Plant Management during F.Y. 1993 to provide more integrated statewide energy management services to state agencies.
- The Resource Recovery Program is being merged with Plant Management during F.Y. 1993 and will more effectively provide resource recovery services to agencies on a statewide basis.
- Plant Management plans to continue to maximize available parking by the continued use of the "any available stall" program, as this method provides optimum usage of available parking in the Capitol complex.
- During F.Y. 1992, parking rates were increased 20%, and they will be increased an additional 5% during F.Y. 1993 and 5% during F.Y. 1994. Rates were increased to more fully cover costs and to encourage alternative transportation. Annual increases are expected in subsequent years; however, any rate increase will be limited to actual increases in the cost of operating, maintaining and renovating parking facilities.

EFFICIENCY MEASURES:

	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Percent of Rate Increases					
Leases	(1.40%)	1.20%	2.80%	3.20%	1.30%
Repair/Other Jobs	2.46%	4.00%	0.00%	3.00%	3.00%
Alpha	(25.00%)	0.00%	0.00%	0.00%	0.00%
Materials Transfer					
Set-up	2.30%	7.36%	1.50%	5.00%	5.00%
Mail	2.47%	4.82%	.69%	5.00%	5.00%
Movers	2.59%	5.63%	.18%	5.00%	5.00%
Stores/Duplicating	2.50%	4.67%	0.00%	5.00%	5.00%
Building Services					
Number of square feet cleaned janitor/hour	2,800	2,950	3,100	3,200	3,300
Grounds					
Hours worked on special events	1,700	1,500	1,700	1,500	1,700
Number of events	229	179	240	180	240
Cubic feet of water used for landscaping	10,705	12,453	11,581	10,771	10,017
Central Operations and Maintenance					
Number of work orders written	4,454	4,519	4,584	4,649	4,714
Sales in Repair/Other Jobs (000's)	\$227	\$243	\$250	\$260	\$270
Cafeterias					
Sales in Capitol complex cafeterias (000's)	\$833	\$798	\$800	\$860	\$905
Parking					
Percent of contract/stalls available	109%	114%	115%	116%	117%
Resource Recovery					
Percent of Metropolitan area waste stream diverted for recycling	28%	34%	40%	50%	60%
Income generated from sale of recyclables (000's)	\$83	\$57	\$33	\$106	\$115
Savings from landfill cost avoidance (Capitol complex buildings) (000's)	\$43	\$46	\$56	\$62	\$69
Volume of recyclable collected (tons)	1,797	2,037	2,159	2,363	2,507

REVENUE:

This activity generates dedicated and revolving fund revenue. See financial page for revolving fund revenue.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Dedicated - Special	\$981	\$1,089	\$1,172	\$1,172	\$1,172

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: PLANT MANAGEMENT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	219	285	233	233	233	233	233	233	233
EXPENSES/CONTRACTUAL SRVCS	165	542	869	787	612	612	787	612	612
MISC OPERATING EXPENSES	25	26	24	24	24	24	24	24	24
SUPPLIES/MATERIALS/PARTS	88	105	135	135	135	135	135	135	135
OTHER	22	5	25	25	25	25	25	25	25
SUBTOTAL STATE OPERATIONS	519	963	1,286	1,204	1,029	1,029	1,204	1,029	1,029
TOTAL EXPENDITURES	519	963	1,286	1,204	1,029	1,029	1,204	1,029	1,029
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL			257	175			175		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	519	963	1,029	1,029	1,029	1,029	1,029	1,029	1,029
TOTAL FINANCING	519	963	1,286	1,204	1,029	1,029	1,204	1,029	1,029
POSITIONS BY FUND:									
SPECIAL REVENUE	7.7	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
PLANT MANAGEMENT	186.7	206.8	206.8	206.8	206.8	206.8	206.8	206.8	206.8
TOTAL POSITIONS	194.4	214.2	214.2	214.2	214.2	214.2	214.2	214.2	214.2

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1994-95 Biennial Budget

BUDGET ACTIVITY: Building Codes and Standards
PROGRAM: Facilities Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The State Division of Building Codes and Standards has responsibility for the construction, reconstruction, alteration, and repair of state-owned buildings and other structures to which the code is applicable. The state building code provides basic and uniform performance standards, establishes reasonable safeguards for health, safety, welfare, comfort, and security of the residents of this state and provides for the use of modern construction methods, devices, materials, and techniques.

The State Division of Building Codes and Standards has the responsibility for ensuring that building codes and standards are uniformly adopted and administered at the least possible cost consistent with nationally recognized standards of health, life safety, and welfare.

The division is organized into 4 sections:

1. Code Consultant/Training,
2. Plan Evaluation,
3. Manufactured Structures/Licensing, and
4. Office Support.

The division achieves its mission in the following ways:

- Developing standards based on up-to-date national model codes.
- Ensuring uniform administration by providing training and direct assistance to local officials, designers, construction industry, manufactured home dealers, installers and manufacturers.
- Ensuring uniform administration by overseeing local government code administration.
- Ensuring proper code administration by preempting local governments that are not properly administering the standards.
- Ensuring building code compliance by reviewing construction documents required to be submitted to state agencies.
- Ensuring building code compliance by reviewing construction documents for state-owned buildings and public schools.
- Ensuring building code compliance by providing for inspection of state-owned buildings and public schools: 1) by contracting with local governments for plan review and/or inspection services, 2) by contracting with qualified private parties for inspection services, and 3) by monitoring performance of all contract holders.
- Ensuring competency of municipal building officials by testing and certification.
- Ensuring compliance by inspection and certification of residential and commercial prefabricated structures produced in and out of state.
- Ensuring compliance by serving as a state administrative agency for HUD in federal manufactured home program.
- Ensuring compliance by issuance of licenses and seals for the manufacturer, sale, and installation of manufactured (mobile) homes.
- Improving cost-efficiency by providing for reciprocity in interstate and international trade for

regulations, products, and services.

- Improving cost-effectiveness by removal of regulatory restraints in international trade.

The clientele served and impacted by the division's statutory mandates are local government, municipal building officials, other state agencies/divisions involved in building construction and construction regulations; citizens of the state, design professionals, construction industry, suppliers, manufacturers, technical committees, national model code associations, manufactured home manufacturers, and installers.

BUDGET ISSUES:

The division budget plan calls for leaving 1 position vacant and reducing the contracts issued for the contract inspection program, with staff performing inspections when needed. The division is also investigating whether more work can be delegated to local building officials.

All work performed by Division of Building Codes and Standards is mandated; eliminating even low priority programs will have a detrimental effect on over-all compliance with statutory mandates.

For example, if all training programs were to end, the standardization of local code enforcement and understanding of code requirements will be reduced, which will cause a setback in uniform application. Inconsistent application of the code can cause an increase in the cost of construction as well as a possible reduction in building safety requirements.

In the F.Y. 1992-93 biennium, the demand for all services has been increasing because of increased construction activity in both the private and public sectors.

In F.Y. 1992, the division:

- Provided 38 days of instruction with 2,081 participants.
- Answered 29,151 requests for consultation and direct assistance (F.Y. 1991 - 27,478).
- Reviewed 691 construction documents with an estimated construction value of \$470,500,000, as compared with 618 documents at a value of \$473,000,000 in F.Y. 1991.

It is anticipated that F.Y. 1993 will be comparable to F.Y. 1992. Due to the economy, it is expected that building permit applications will stay level. It is not anticipated that activities in the public sector will decline, but that private sector building regulation activity will increase.

Demand for the division's services is expected to increase in F.Y. 1994-95 as the economy grows and construction activity increases.

EFFICIENCY MEASURES:

Outcomes:

- Safer buildings which reduce loss of life, loss of property, and personal injury,
- Improved enforcement at the local level,
- Fewer user complaints,
- Fewer appeals to the state regarding local government actions,
- Coordination of code compliance for all facets of the construction industry, and
- Improved client satisfaction with state services.

1994-95 Biennial Budget

BUDGET ACTIVITY: Building Codes and Standards
PROGRAM: Facilities Management
AGENCY: Administration, Department of
 (Continuation)

Workload:	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Administrative Services:				
Training (days/persons)	34/2,116	36/2,300	36/2,300	36/2,300
Certifications Processed	12	70	70	70
Plans Reviewed	690	600	600	600
Meetings (Clientele)	32	30	30	30
Preliminary Plan Reviews	525	450	450	450
Plant Inspections	21	20	20	20
Plan Submittals	159	125	125	125
Unit Inspections	93	80	80	80
Manufactured Seals	653	600	600	600
Dealer Lot Inspections	53	50	50	50
Consumer Complaints:	81	75	75	75
Resolved	64			
Pending	17			
Licenses Issued	143	125	125	125
Mailings	24,000	24,000	24,000	24,000
Telephone Inquiries	32,500	32,500	32,500	32,500

NOTE: All of the above numbers are based on current responsibilities. Proposed legislation may change numbers.

REVENUE:

This activity generates non-dedicated revenue funds consisting of surcharge fees and other miscellaneous fees collected for plan review, inspections, licenses and seals.

Type of Revenue:	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Non-dedicated - Gen'l	\$2,651	\$2,872	\$2,400	\$2,200	\$2,200

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: BUILDING CODE & STANDARDS

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,119	1,145	1,185	1,189	1,230	1,188	1,189	1,273	1,230
EXPENSES/CONTRACTUAL SRVCS	143	191	421	373	243	243	373	265	265
MISC OPERATING EXPENSES	108	147	157	157	157	157	157	157	157
SUPPLIES/MATERIALS/PARTS	23	27	25	25	25	25	25	25	25
CAPITAL EQUIPMENT		14							
SUBTOTAL STATE OPERATIONS	1,393	1,524	1,788	1,744	1,655	1,613	1,744	1,720	1,677
TOTAL EXPENDITURES	1,393	1,524	1,788	1,744	1,655	1,613	1,744	1,720	1,677
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<42>			<43>
TOTAL GOV'S INITIATIVES						<42>			<43>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,393	1,524	1,788	1,744	1,655	1,613	1,744	1,720	1,677
TOTAL FINANCING	1,393	1,524	1,788	1,744	1,655	1,613	1,744	1,720	1,677
POSITIONS BY FUND:									
GENERAL	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
TOTAL POSITIONS	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0

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1994-95 Biennial Budget

BUDGET ACTIVITY: Building Construction
PROGRAM: Facilities Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Division of State Building Construction (DSBC) provides quality cost-effective and timely architectural and engineering services in programming, planning, design, construction and management of physical facilities that house the branches of state government and the programs of its respective agencies. Fifty institutional campuses and numerous other state-owned buildings are served through 6 operational functions.

1. Project Management

- Provides administrative management of design projects to meet program needs and delivery of the project on time and within budget.
- Activities associated with this function include contract negotiation and preparation, monitoring of program, budgeting, and scheduling, hazardous materials surveys, review of plans and specifications, legislative review under M.S. 16B.335, value engineering, cash flow projections, milestone consultant contract reviews and approvals, code review verifications, status reports, bid advertisements, contract review and award, construction meetings and inspections, contract dispute resolution, final acceptance, post contract warranty enforcement and consultant evaluations.

2. Project Design and Management

- Provides professional design and management of smaller building remodeling, repair, improvement and replacement projects to meet both scheduled and unscheduled (emergency) needs of DSBC customers.
- This function also includes planning for the safe and effective removal of asbestos and leaking underground storage tanks.
- Other activities include project analysis and solution formulation, hazardous material surveys, cost estimating, budgeting and scheduling, design, preparation of plans and specifications, code reviews, printing, bid analysis, award, construction supervision, final acceptance and post-contract warranty enforcement.
- This work activity results in well coordinated construction projects that are more timely, economically and efficiently designed and administered internally.

3. Consulting Services

- Provides professional/technical advice and information to agencies, other states and local units of government. This function includes such activities as advising on design and construction related methods and contract procedures, feasibility studies, construction and budget analysis,

cost estimates, capital asset repair and replacement analysis, building environmental assessments, hazardous materials surveys and consultation, accessibility management, facilities surveys, asbestos claims coordination, and strategic issues in the construction process. DSBC continues to work with the construction industry to improve bid procedures to eliminate bid shopping and requires prompt payment to both contractors and subcontractors.

4. Capital Budget Reform

- Provides a statewide integrated infrastructure management system in accordance with 1991 Laws of Minnesota, Chapter 345, Article 1, Section 17, Subdivision 4. This function will establish a disciplined strategic and space planning evaluation process that measures the need for new construction or remodeling alternatives and the preservation of existing capital assets together with a financial plan to support the need.
- The activities associated with this function are to develop and maintain a statewide building inventory, building classification system and program evaluation system, uniform project planning, estimating, scheduling and tracking systems, life cycle costing, space utilization studies, financing alternatives and site analysis.

5. Internal and External Support

- Provides efficient administrative support to DSBC and easily accessible data and records resources to professional, technical and administrative staffs of both internal and external customers.
- Activities associated with this function include contract administration, litigation support, office/bureau/statewide automation systems, cash flow development, records management, governor's project status report, staff training, continued education and clerical support.

6. Designer Selection

- Provides administrative staff support and information to the State Designer Selection Board to achieve quality-based selection of consultant designers to meet statutory requirements (M.S. 16B.33) in a timely manner.
- Activities include preparation of RFPs (requests for proposal), management of board meetings, review of proposals, participation in interviews and selection of designers, and maintaining records of board activities.

BUDGET ISSUES:

The Department of Administration has reduced the DSBC operating budget for F.Y. 1994-95 in order to meet its overall reduction target. Such a reduction will necessitate leaving 1 position unfilled and decreasing contract services by approximately 2,170 hours.

This will reduce our present capacity to respond in a timely manner to projects typically designed and administered by in-house staff. It will also add cost to projects if those typical projects must be designed by consultants in order to meet agency schedule demands.

Contract services inspections will be restricted only to the sites which are most critical in need. This

1994-95 Biennial Budget

BUDGET ACTIVITY: Building Construction
PROGRAM: Facilities Management
AGENCY: Administration, Department of
 (Continuation)

will involve taking greater risks as projects under construction receive less vigilance.

As our automation proficiency (CAD) increases, greater efficiencies will be achieved. We will also continue to use construction M-contracts judiciously, to accomplish routine repair and replacement projects at the local level.

EFFICIENCY MEASURES:

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Consultant Designed Projects:					
Number of active projects	180	141	150	160	175
Dollar volume (MILLIONS)	\$215.0	\$152.9	\$145.0	\$150.0	\$180.0
DSBC hours per project	86.1	133.7	125	125	125
DSBC staff cost per project	.15%	.22%	.20%	.20%	.20%
In-House Projects:					
Number of active projects	122	142	145	150	150
Dollar volume (MILLIONS)	\$6.1	\$6.0	\$6.0	\$6.0	\$6.0
In-house design cost per project	3%	3.3%	3%	3%	3%
DSBC hours/in-house project	73.7	66.9	70	70	70
Fee Charged by Outside Designers for Small Projects:					
	10%	12%	12%	12%	12%
Professional & Technical Consulting Services:					
Staff hours expended	4,805	5,921	6,000	6,000	6,000
Designer Selection Board:					
Number of designers selected	21	19	10	15	25
Proposals reviewed	332	297	157	235	392
DSBC staff hours required	381	366	186	297	465
Time needed for selection (days)	42.1	40.3	41	41	41
DSBC cost per project (dollars)	\$371	\$406	\$400	\$415	\$430

F.Y. 1991 F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

Statistics:

Number of invoices processed	3,032	2,673	2,700	2,800	2,900
Number of design contracts prepared	52	39	30	40	50
Number of M-contracts (Professional & Technical)	253	273	300	325	340

Asbestos Trust Claims:

Number of claims submitted	19	20	30	30	30
Amount received (000's)	\$271	\$303	\$250	\$250	\$250
Amount committed (000's)	\$316	\$444	\$384	\$300	\$300

REVENUE:

This activity generates dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Type of Revenue:					
Dedicated - Federal	\$ 61	\$4,496	\$ 451	\$ 451	\$ 451
Dedicated - Agency	3	10	0	0	0
Dedicated - Gifts & Deposits	<u>742</u>	<u>1,011</u>	<u>211</u>	<u>211</u>	<u>211</u>
Total	\$ 806	\$5,517	\$ 662	\$ 662	\$ 662

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: BUILDING CONSTRUCTION

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,356	1,306	1,656	1,661	1,720	1,662	1,661	1,782	1,722
EXPENSES/CONTRACTUAL SRVCS	414	501	417	375	251	251	376	269	269
MISC OPERATING EXPENSES	175	39	39	39	44	44	39	48	48
SUPPLIES/MATERIALS/PARTS	233	27	21	21	96	96	21	96	96
CAPITAL EQUIPMENT	3	21							
OTHER	635	6,636	598	598	598	598	598	598	598
SUBTOTAL STATE OPERATIONS	2,816	8,530	2,731	2,694	2,709	2,651	2,695	2,793	2,733
TOTAL EXPENDITURES	2,816	8,530	2,731	2,694	2,709	2,651	2,695	2,793	2,733
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<58>			<60>
TOTAL GOV'S INITIATIVES						<58>			<60>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,840	1,753	2,065	2,028	2,043	1,985	2,029	2,127	2,067
STATUTORY APPROPRIATIONS:									
FEDERAL	795	4,496	451	451	451	451	451	451	451
NE MN ECONOMIC PROT	4								
AGENCY	57	6	4	4	4	4	4	4	4
GIFTS AND DEPOSITS	120	2,275	211	211	211	211	211	211	211
TOTAL FINANCING	2,816	8,530	2,731	2,694	2,709	2,651	2,695	2,793	2,733

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: BUILDING CONSTRUCTION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
POSITIONS BY FUND:									

GENERAL	28.0	28.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	28.0	28.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0

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BUDGET ACTIVITY: Energy Conservation
PROGRAM: Facilities Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

Key activities of the Energy Conservation Division are to:

- Manage utility loan funds for energy conservation projects in state-owned buildings and wholly leased buildings.
- Monitor energy usage statewide, identify measures to reduce energy usage and costs, and promote the use of alternate fuels when economical.
- Provide training to state building operating engineers on how to maintain equipment to reduce energy usage.
- Negotiate boiler fuel prices and administer contracts for state institutions.
- Provide consulting services to state agencies on technical projects in drawing specifications and developing contracts.
- Maintain a computerized preventive maintenance program for 10 state institutions.

The services are provided to state universities, community colleges, Department of Human Services, veterans homes, Department of Corrections, technical college system, attorney general's office, Department of Administration's Materials Management Division, Department of Transportation, and Department of Natural Resources.

BUDGET ISSUES:

The division will add staff to coordinate utility-funded energy retrofit projects to effectively monitor the funds and manage projects. The current activities will be continued to accomplish the energy reduction in state-owned buildings as required by M.S. 16B.32, Subdivision 2. This activity is being merged with Plant Management and will be called Energy Management Services.

EFFICIENCY MEASURES:

1. Manage utility loan funds for energy conservation projects in state-owned buildings and wholly leased buildings.

Outcome Expected:

- Reduction in electric and fuel consumption which will result in lower energy budget; better illumination for poorly lighted areas; newer equipment and products which will result in reduced maintenance and increased life expectancy; meeting the requirements in H.F. 1246, Chapter 235.

Performance Measures:

- 10 years or less return on investment.
- 15% reduction in electric usage by year 1995.
- 15% reduction in dollars spent for electric usage in year 1995.
- Energy audits of 3 major facilities per year.

2. **Energy Monitoring Program.**

Outcome Expected:

- Opportunities to review building operations and prioritize projects; detection of errors by utility companies.

Performance Measures:

- Obtain monthly power plan reports in 4 months or less. Provide annual energy reports to state institutions.

3. **Training Program.**

Outcome Expected:

- Annual repair of steam traps, better boiler operations and better maintenance of HVAC systems reducing state fuel bills and electric bills from 5% to 20% depending on the present schedule of maintenance on equipment.

Performance Measures:

- 15 to 18 sessions (5 to 6 different courses) per year.
- 25 participants (average) per session.

4. **Oil/Gas Price Negotiation.**

Outcome Expected:

- Participating institutions will pay less for their heating fuel.

Performance Measures:

- 10% savings in annual fuel budget.

5. **Preventive Maintenance Program.**

Outcome Expected:

- Reduced energy bills; less breakdown time and less stress in "putting out fires"; ability to meet accreditation standards in DHS and Corrections; avoidance of emergency repairs; longer equipment life and lower operating costs.

Performance Measures:

- Fewer number of emergency repairs.
- Fewer number of breakdowns.
- Less dollars spent for unscheduled maintenance.

6. **Energy audits and retrofits for institutions not funded by utility companies.**

Outcome Expected:

- Identification and prioritization of energy conservation measures to be implemented in state institutions; location of unusual and inefficient operations; reduction in energy usage to meet regulation requirements in H.F. 1246, Chapter 235.

Performance Measures:

- 10 years or less return on investment.
- 3 project-specific energy audits per year.

REVENUE:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: ENERGY CONSERVATION

ACTIVITY SUMMARY	FY 1994			FY 1995					
	Est. FY 1991	Est. FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	281	303	301	304	278	269	304	286	276
EXPENSES/CONTRACTUAL SRVCS	108	62	31	31	32	32	31	33	33
MISC OPERATING EXPENSES	13	12	8	8	8	8	8	8	8
SUPPLIES/MATERIALS/PARTS	18	11	11	11	11	11	11	11	11
SUBTOTAL STATE OPERATIONS	420	388	351	354	329	320	354	338	328
TOTAL EXPENDITURES	420	388	351	354	329	320	354	338	328
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES						<9>			<10>
TOTAL GOV'S INITIATIVES						<9>			<10>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	347	352	351	354	329	320	354	338	328
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	73	28							
FEDERAL		8							
TOTAL FINANCING	420	388	351	354	329	320	354	338	328
POSITIONS BY FUND:									
GENERAL	5.0	5.0	5.0	5.0	4.0	4.0	5.0	4.0	4.0
TOTAL POSITIONS	5.0	5.0	5.0	5.0	4.0	4.0	5.0	4.0	4.0

1994-95 Biennial Budget

PROGRAM: Administrative Management
AGENCY: Administration, Department of

PROGRAM PURPOSE: The Administrative Management program provides internal management support services to Admin's operating units. Functions included in this program are: 1) financial management services, 2) personnel services, 3) grant administration, and 4) executive support, which includes the Commissioner's Office. The grant administration area includes specific legislative grant administration tasks dealing with public broadcasting, regional cable communications, oil overcharge programs, and the State Band. The outcomes achieved through this program include a well-managed department making the best use of its human and financial resources as it supports the divisions within the department in fulfilling Admin's mission. Admin's mission and this program clearly support the Minnesota Milestone goal of "government in Minnesota will be more efficient."

More specifically:

- Fiscal Services establishes and maintains a centralized and integrated budget and accounting system for the department, for general, revolving and other funds, as well as providing pro bono fiscal support services to Capitol Area Architectural and Planning Board, Citizens Committee on Voyageurs National Park, Spanish Speaking Affairs Council, Council on Black Minnesotans, Council on Asian/Pacific Minnesotans, and the Telecommunications Access for Communications Impaired Persons Board.
- Personnel Services provides support on human resource issues to departmental managers, supervisors and employees. Services include affirmative action, employee training and development, labor relations, classification, safety administration, employee counseling, recruitment, payroll and personnel transactions, as well as the services of a health program coordinator/occupational health nurse.
- Executive Support provides departmental direction, priority and policy setting, strategic planning and employee communications for the entire department. The program provides secretarial and office support services for the department's executive team. In addition, statewide coordination on a variety of critical issues is provided through this activity, e.g., the Commission on Reform and Efficiency, capital budget reform.
- Public Broadcasting is the grant administration program carried out for the legislature under M.S. 129D.11-16. Legislative allocations are divided among 6 public television and 12 public educational radio stations in the form of block, matching and equipment grants. The program oversees this grant authority, disbursing funds in accordance with legislative appropriations and direction, and ensures compliance with all statutory requirements and criteria.
- Public Broadcasting/MPR - Minnesota Public Radio is an additional public broadcasting grant program for improvement and operation of Minnesota Public Radio's network of 18 stations serving Minnesota. State grants to MPR are also conditioned by eligibility and criteria of M.S. 129D.11-16.
- Twin Cities Regional Cable Channel is a grant program based on M.S. 238.43 which mandates an interconnected regional cable channel to be carried on the 7-county metropolitan area cable systems. Legislative appropriations to assist in the establishment and operation of the channel by the nonprofit corporation named as the operating entity are administered by this program in accordance with legislative directives.
- Oil Overcharge Administration is a grant activity assigned to the Department of Administration by the legislature in 1988. This function administers and coordinates grants to programs from funds received by the state through settlements with oil companies for violations of pricing regulations from 1973 through 1981. The legislature appropriates the grant money.

PROSPECTS: As economic and other changes continue to challenge state government, both the executive support and fiscal and personnel services activities within this program take on a heightened importance. Management must strategically plan to lead the department in new directions as economic needs, technology, and customer needs change. As the leadership puts change into motion, the human resource is affected. Without careful management and active involvement of the human resource professionals in Personnel Services, any amount of change is doomed to failure. In addition, change brought about by either strategic planning or budgeting decisions must be coordinated and communicated with labor unions, per contract and statute. Leadership within the department will be charged with restructuring for further efficiencies for the foreseeable future, providing a continuing challenge.

OUTCOMES:

1. A focused department, working toward a common mission, with resources properly allocated to meet our goals.
2. Better financial management as a result of consistency of reporting and timeliness of data.
3. A more consistently productive workforce with high morale.

The agency's long-term objective is to continue to find ways through restructuring, re-engineering, the use of technology, and other means to provide quality customer service to the state and local government agencies.

OBJECTIVES:

1. To establish a transition team (executive team and management team), appoint a transition coordinator and develop a workplan for implementing changes within this budget.
2. To establish a finance council within the department with representatives from all funds to improve the financial management activities of the department through consistency of procedures, redesigned administrative processes or other improvements.
3. To lead the department through its strategic transition with a long-run positive impact on human resources.

PROGRAM PLAN:

Several changes are being proposed in this program for F.Y. 1994-95. They include:

- Moving the occupational health nurse and health education programs from the Employee Assistance Program to the Personnel Services Division;
- Recommending that the activities of System of Technology to Achieve Results (STAR) and the Governor's Planning Council on Developmental Disabilities be moved from the department to independent status; and
- Recommending the elimination of public broadcasting grants in light of the state's fiscal situation.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan, however the proposed funding has been reduced due to revised salary planning estimates.

LCMR Projects

The Governor acknowledges the process and allocations of the Legislative Commission on Minnesota Resources; Commission recommendations are reflected in agency plans. However, the Governor encourages the Legislature to review allocations of LCMR funds within the context of the overall budget. The Governor has prepared alternative recommendations that build upon the Commission's allocations in areas that coincide with the Governor's environmental priorities. See the LCMR section in the Environment and Natural Resources budget volume for overall comparison of Commission recommendations with the Governor's proposals.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1991			FY 1992			FY 1993			FY 1994			FY 1995		
	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FISCAL & PERSONNEL SERVICES	1,087	1,744	1,128	1,135	1,172	1,139	1,137	1,214	1,180						
EXECUTIVE SUPPORT	823	573	591	562	503	490	563	526	513						
PUBLIC BROADCASTING	2,064	1,059	2,098	1,574	1,496	1,496	1,574	1,495	1,495						
MINNESOTA PUBLIC RADIO			278	139	132	132	139	132	132						
TWIN CITIES REGIONAL CABLE CHANNEL		50													
DEVELOPEMENTAL DISABILITIES COUNCIL		988	1,139	1,139	1,140	1,139	1,139	1,141	1,140						
SYSTEM OF TECHNOLOGY TO ACHIEVE RE		691	572	572	572	572	572	572	572						
STATE EMPLOYEE ASSISTANCE PROGRAM	442	461	447	444	442	430	444	457	444						
OIL OVERCHARGE	422	721	100		2,012										
TOTAL EXPENDITURES BY ACTIVITY	4,838	6,287	6,353	5,565	7,469	5,398	5,568	5,537	5,476						
GOV'S INITIATIVES:			FUND												
(A) SALARY PLANNING ESTIMATES			GEN			<59>			<61>						
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<880>									
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<294>									
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<230>									
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<78>									
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<150>									
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<380>									
TOTAL GOV'S INITIATIVES						<2,071>			<61>						
SOURCES OF FINANCING:															
DIRECT APPROPRIATIONS:															
GENERAL	4,361	3,881	4,533	3,845	3,737	3,678	3,848	3,817	3,756						
STATE GOVT SPEC REV					2,012										
STATUTORY APPROPRIATIONS:															
STATE GOVT SPEC REV	422	721	100												
SPECIAL REVENUE		4	2	2	2	2	2	2	2						
FEDERAL		1,631	1,664	1,664	1,664	1,664	1,664	1,664	1,664						
AGENCY	4														
GIFTS AND DEPOSITS	51	50	54	54	54	54	54	54	54						

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL FINANCING	4,838	6,287	6,353	5,565	7,469	5,398	5,568	5,537	5,476
POSITIONS BY FUND:									
GENERAL	39.3	40.3	40.3	40.3	40.3	40.3	40.3	40.3	40.3
STATE GOVT SPEC REV	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
FEDERAL	.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
GIFTS AND DEPOSITS	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL POSITIONS	42.4	51.4	51.4	51.4	51.4	51.4	51.4	51.4	51.4

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1994-95 Biennial Budget

BUDGET ACTIVITY: Fiscal & Personnel Services
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

This activity provides a centralized and integrated accounting system for the Department of Administration's revolving funds and general fund activities. This activity strives to provide timely and accurate financial services while conforming to Generally Accepted Accounting Principles (GAAP). The staff of this activity act as liaisons and financial consultants for Admin's operating divisions. This facilitates the effective management of financial resources of the department as governed by laws, policies and procedures. Transactions are processed in the areas of purchasing, disbursements, billings, collections and other basic financial services. Fiscal Services also provides fiscal support to the Capitol Area Architectural and Planning Board, the Citizens' Committee on Voyageurs National Park, the Council on Asian/Pacific Minnesotans, the Council of Black Minnesotans, the Council on Spanish Speaking People and the Telecommunications Access for Communications Impaired Persons Board. Additionally, a grant is provided to the State Band through this authority.

This activity also provides, maintains and serves human resources of the Department of Administration by providing the following services:

1. **Staffing:** Resulting in qualified, well-informed employees hired in accordance with statute, rule, policy and basic merit principles.
2. **Employee Development:** Resulting in greater employee effectiveness and efficiency beneficial to both employee and employer.
3. **Affirmative Action:** Resulting in equal opportunities and equitable treatment.
4. **Negotiation and Administration of Labor Contracts:** Resulting in effective working relationships between labor and management.
5. **Wage and Benefit Administration:** Resulting in equitable compensation and maximum understanding of benefit provisions.
6. **Health and Safety Program Administration:** Resulting in more health-conscious employees and a safer work environment.

BUDGET ISSUES:

In Personnel Services, the movement of the Occupational Health Nurse to Personnel Services adds a component that provides a more holistic human resource service to our employees.

EFFICIENCY MEASURES:

	Dollars in Thousands		
	F.Y. 1991	F.Y. 1992	F.Y. 1993
Fiscal Services:			
Quarterly financial statements completed on time and conforming to GAAP:	68	68	N/A
Rate packages reviewed and submitted to the Department of Finance:	14	14	15
Prompt payment of agency bills: (F.Y. 1993 calculated for 2 months.)	91.96%	97.85%	98.65%

Personnel Services:

Employees trained in sexual harassment:	99%
Optional training/development activities developed and presented (minimum):	24
Percent of employees returned to work following workers' compensation injuries:	99%
Decrease in time lost from work-related injuries:	60%
Level maintained of missed opportunities for affirmative hiring (less than):	25%
Audits requested and completed:	200
Employee appointments completed:	350+
Employee step 3 grievances addressed:	50+
Labor/Management meetings held at least quarterly:	yes

REVENUE:

This activity generates dedicated revenue.

	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Type of Revenue:					
Dedicated - Gifts & Deposits	\$ 13	\$ 46	\$ 50	\$ 50	\$ 50

GRANTS:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: FISCAL & PERSONNEL SERVICES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	917	1,325	969	974	1,007	974	974	1,043	1,009
EXPENSES/CONTRACTUAL SRVCS	94	213	104	108	108	108	110	110	110
MISC OPERATING EXPENSES	17	23	26	26	26	26	26	26	26
SUPPLIES/MATERIALS/PARTS	39	91	9	9	13	13	9	17	17
CAPITAL EQUIPMENT	16	42	16	16	16	16	16	16	16
SUBTOTAL STATE OPERATIONS	1,083	1,694	1,124	1,133	1,170	1,137	1,135	1,212	1,178
LOCAL ASSISTANCE	4	50	4	2	2	2	2	2	2
TOTAL EXPENDITURES	1,087	1,744	1,128	1,135	1,172	1,139	1,137	1,214	1,180
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<33>			<34>
TOTAL GOV'S INITIATIVES						<33>			<34>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,036	1,694	1,074	1,081	1,118	1,085	1,083	1,160	1,126
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS	51	50	54	54	54	54	54	54	54
TOTAL FINANCING	1,087	1,744	1,128	1,135	1,172	1,139	1,137	1,214	1,180
POSITIONS BY FUND:									
GENERAL	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
GIFTS AND DEPOSITS	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: FISCAL & PERSONNEL SERVICES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0

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BUDGET ACTIVITY: Executive Support
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The purpose of this activity is to provide department and statewide executive leadership and management. Customers include Admin employees, other state agencies, the governor's office, and the legislature. This activity provides strategic direction, priority setting, policy setting, and problem-solving services to the department. It responds to gubernatorial and legislative directives. This activity also provides administrative support to the public broadcasting and oil overcharge grant programs.

BUDGET ISSUES:

In F.Y. 1994, the Commissioner's Office will hold 2 positions vacant and will cut discretionary expenditures to 0 in some areas and a bare minimum in all others. One outcome will be a move away from "personal" secretaries to a concept of shared resources. Other outcomes are "making do" with old equipment and the potential use of more internal mobilities for special projects. Additionally, this activity no longer supports an external communication function, with all structured communication programs being focused on Admin employees.

EFFICIENCY MEASURES:

- Number of quarterly reviews held with divisions: 27 per quarter
- Number of management team meetings held: 1 per month
- Contributed \$742,000 to the Commission on Reform and Efficiency (CORE) in F.Y. 1992 from departmental efficiencies.

REVENUE:

This activity will not generate dedicated revenue in F.Y. 1994-95.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Dedicated - Agency	\$ 4	\$ 0	\$ 0	\$ 0	\$ 0
Dedicated - Gifts & Deposits	140	1	0	0	0
Total	\$ 144	\$ 1	\$ 0	\$ 0	\$ 0

GRANTS:

For specific information on the grants administered through this activity, see the activities of public broadcasting, Minnesota Public Radio (MPR), Twin Cities Regional Cable Channel, and Oil

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: EXECUTIVE SUPPORT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	653	450	466	433	385	372	433	403	390
EXPENSES/CONTRACTUAL SRVCS	88	74	80	84	88	88	85	93	93
MISC OPERATING EXPENSES	29	11	31	31	16	16	31	16	16
SUPPLIES/MATERIALS/PARTS	47	33	13	13	13	13	13	13	13
CAPITAL EQUIPMENT	6	5	1	1	1	1	1	1	1
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	823	573	591	562	503	490	563	526	513
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	823	573	591	562	503	490	563	526	513
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES									
GEN									
=====						<13>	=====		
TOTAL GOV'S INITIATIVES						<13>	<13>		
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	819	573	591	562	503	490	563	526	513
STATUTORY APPROPRIATIONS:									
AGENCY	4								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	823	573	591	562	503	490	563	526	513
POSITIONS BY FUND:									
GENERAL									
=====	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3

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1994-95 Biennial Budget

BUDGET ACTIVITY: Public Broadcasting
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

PUBLIC TV:

- This activity exists to provide equipment grants and matching grants to the public television stations serving the citizens of Minnesota. State funds are used by recipient stations to sustain their ability to serve as a major community resource providing educational, cultural, economic development, public affairs and children's programming to the public, governmental agencies, nonprofit organizations and educational facilities.
- These grants are made on a direct and matching basis pursuant to the criteria identified in M.S. 129D.11-16.

PUBLIC RADIO:

- This activity provides support to public radio stations who serve Minnesota listeners with alternative radio programming of a cultural, ethnic and educational nature that is not available from commercial broadcasters.
- Operational and equipment grants are made pursuant to the criteria listed in M.S. 129D.11-16.

BUDGET ISSUES:

PUBLIC TV:

- State equipment and matching grants help the recipient stations meet the enormous ongoing costs associated with providing public television broadcast services. These funds are used to purchase equipment, to originate local productions, and to acquire and broadcast educational, cultural and public affairs programming. In addition, all state funds provided through this activity are matched by the federal government, corporations, foundations and individuals. Without state support, some stations could not continue to provide broadcast services.
- By expanding the state funds available for these grants, the individual recipient public television stations will be able to leverage more funds from other sources. If more funds are available, more local programming will occur and costly temporary equipment repairs will be avoided. Conversely, if grant funds are reduced, less revenue will be realized through matching from other sources causing the technical equipment base to deteriorate more rapidly and placing an even greater burden on already diminishing financial resources. The net impact will be a general reduction in the number of educational, children and public affairs local programs that are produced and distributed.
- No specific revenues are realized by the general fund from this activity. However, tremendous national "good will" is realized through this grants program which actually benefits the general

fund and saves expenditures in other areas. Locally originated programs, exported to the national market and viewed by others, depict Minnesota as a good place to live, work and conduct business. While the economic development impact of this activity is impossible to measure financially, it is probably significant.

- In many other states, public television is almost totally funded by state revenues. This is not the case in Minnesota. Each recipient station is organized as a community-owned, nonprofit entity. The programming provided to the public, however, is similar to that provided by state-owned and operated facilities. Compared to the rest of the country, Minnesota ranks near the bottom in its level of funding for public television. The ultimate impact on the general fund is minimal.

PUBLIC RADIO:

- Public radio stations serve an important communications function to the communities that they serve. These communities vary from educational communities (University of Minnesota, state universities, technical colleges, school districts) to ethnic and cultural minority communities. Virtually all of the non-English language broadcasting occurring in Minnesota is provided by public radio stations. (One station broadcasts programming in 10 different languages!)
- Commercial broadcasters, who must rely on advertising revenues, are unable to justify directing such programming at limited commercial audiences.
- State grants supplement membership contributions, underwriting contributions and federal grants solicited by the stations. State grants are matched with local contributions and provide the basis to match federal grants and foundation grants, multiplying the effect of the state grants.
- No direct state revenues are derived from this activity, but state grant monies are used to match member contributions, federal grants and private foundation grant monies, thus enabling public radio stations to provide public services with minimal public expenditures.

EFFICIENCY MEASURES:

PUBLIC TV:

- State equipment, block and matching grants help the recipient stations sustain basic operational services which directly benefit the viewing public. These funds are used to purchase equipment, originate local productions, and to acquire and broadcast educational, cultural, and public affairs programs and to match funds from a variety of sources including the federal government, corporations, foundations and individuals.
- Some measurable beneficial outputs are:
 - Total households served: 2,155,632 in 1991
 - Total broadcast hours: 40,118 hours in 1991
 - Local production hours: 1,288 hours in 1991
 - Number of families who contribute: 151,000 in 1991
 - Viewers/Nielsen ratings (where available): 80% per month
- Minnesotans consume over 300 million hours of public television programming each year.

1994-95 Biennial Budget

BUDGET ACTIVITY: Public Broadcasting
PROGRAM: Administrative Management
AGENCY: Administration, Department of
(Continuation)

Much of it is instructional in the formal sense and all of it is educational in the broad sense, playing a vital role in life-long learning for Minnesotans. These programs are delivered at an approximate cost of \$0.05 per hour which is an excellent return on investment by any measure.

PUBLIC RADIO:

- State grants are utilized by recipient public radio stations to meet personnel, operations and equipments costs. In addition, public radio stations make use of vast quantities of volunteer time to augment every aspect of station operation.
- Measurable annual outputs of public radio activity include:
 - Member contributions: \$1,300,000
 - Volunteer hours: 73,000 hours
 - Locally originated programming: 58,000 hours

REVENUE:

None.

GRANTS:

Grants are distributed in accordance with criteria established in M.S. 129D.11-16.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: PUBLIC BROADCASTING

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	2,064	1,059	2,098	1,574	1,496	1,496	1,574	1,495	1,495
TOTAL EXPENDITURES	2,064	1,059	2,098	1,574	1,496	1,496	1,574	1,495	1,495
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,064	1,059	2,098	1,574	1,496	1,496	1,574	1,495	1,495
TOTAL FINANCING	2,064	1,059	2,098	1,574	1,496	1,496	1,574	1,495	1,495
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Minnesota Public Radio
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

Provides for establishment and improvement of Minnesota Public Radio's (MPR) regional network of 23 stations serving people of Minnesota and its border communities; to produce and acquire radio programming of community value, and to combine these into a nonprofit radio service that reflects the culture, events, issues and ideas of Minnesota and its people in radio broadcasts designed for local as well as national and international audiences.

BUDGET ISSUES:

A separate investment initiative has been submitted in conjunction with AMPERS.

EFFICIENCY MEASURES:

In recent years, Minnesota Public Radio has concentrated on building a high quality, comprehensive public radio enterprise of widespread recognition. It has reporters in all parts of the state, and distributes British and Canadian Broadcasting Corporation programs in addition to those of National Public Radio and American Public Radio. MPR attracts a weekly cumulative audience of 350,000 and receives financial contributions from 65,000 people and 400 businesses, corporations and foundations. It has earned national recognition for its program services.

Minnesota Public Radio plans to move quickly to complete the technical updating of its regional program distribution system and to concentrate increased effort on the quality and diversity of its programming. It intends to sustain, and significantly expand, the base support and incentive mechanisms that work toward providing the program service that is widely recognized as unequalled in the United States.

REVENUE:

None.

GRANTS:

Grant are distributed in accordance with criteria established in M.S. 129D11-16.

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: MINNESOTA PUBLIC RADIO

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE			278	139	132	132	139	132	132
TOTAL EXPENDITURES			278	139	132	132	139	132	132
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL			278	139	132	132	139	132	132
TOTAL FINANCING			278	139	132	132	139	132	132
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

GRANTS:

BUDGET ACTIVITY: Twin Cities Regional Cable Channel
PROGRAM: Administrative Management
AGENCY: Administration, Department of

Grant funds are distributed in accordance with M.S. 238.43.

ACTIVITY DESCRIPTION:

This activity provides grant-in-aid to Twin Cities Regional Cable Channel, Inc., a nonprofit organization operating the Metro Cable Network. The network appears on Channel 6 on all metropolitan area cable systems presenting a wide range of programs about issues and activities of regional interest and significance to 450,000 cabled households in the 7-county metro area.

Mandated by state statutes and designated by the Minnesota Cable Communications Board in 1985, operations began in 1987. The program schedule consists of productions from numerous agencies, institutions, organizations and governmental entities including the Minnesota Senate, Hennepin County Health Department, Metropolitan Council, Metro Library System, University of Minnesota, University of St. Thomas, Metro Technical Colleges, Minnesota AFL-CIO, various local cable commissions, Como Zoo, Lutheran Laymen's League, Guthrie Theater, religious institutions and independent producers.

BUDGET ISSUES:

Continuing achievements and growth in service validate the legislative vision that created the channel for its unique role. Increasingly, it is relied upon as a major informational resource for all metro area cable subscribers. Continued state assistance will help to further broaden its programming and funding bases and encourage leveraging of increased private contributions.

EFFICIENCY MEASURES:

- Increased schedule to 24 hours per day.
- Improved and expanded its operating facility.
- Opened schedule to broader base of producers.
- Increased its audience promotion activity.
- Broadened coverage of public hearings.
- Accomplished further audience gains.
- Offered complete coverage of 1991 Special Olympics.
- (Live) session coverage of Minnesota Senate.
- Coverage of significant regional issues; i.e., planning (Metropolitan Council) and highways (Mn/DOT).
- Devotes 40% of annual programming (3,500 hours) to public affairs, government and community issues.

REVENUE:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: TWIN CITIES REGIONAL CABLE CHANNEL

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE		50							
TOTAL EXPENDITURES		50							
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		50							
TOTAL FINANCING		50							
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Developmental Disabilities Council
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

This activity serves as an advocate for persons with developmental disabilities to improve their quality of life, expand their rights, improve their dignity, and enhance their self-determination.

BUDGET ISSUES:

This activity receives an annual federal grant of approximately \$1 million. One condition of the federal grant is that local match equal to 1/3 of the grant must be provided. The current state general fund appropriation of \$47,000 is approximately \$287,000 less than the amount needed for the match. In the past, the match requirement has been met by grant recipients providing the remainder of the match (see GRANTS section).

EFFICIENCY MEASURES:

Advocacy activities are difficult to evaluate using efficiency measures. Evaluation of publications produced under this activity has been attempted with the following results.

RESULTS OF PUBLIC EVALUATION

10 = highest

<u>TITLE</u>	<u>AVERAGE SCORE</u>
A New Way of Thinking	9.3
Friends	9.2
It's Never Too Early; It's Never Too Late	8.8
Making Futures Happen	8.5
Partners In Policymaking Manual	9.6
Read My Lips: It's My Choice	9.4
Three-Year Plan	8.2
Newsletter, Futurity	7.7

In addition, projects funded by this activity are evaluated by an outside evaluator to determine if they are achieving the objectives of the Governor's Planning Council on Developmental Disabilities. All evaluations have indicated the projects are achieving the objectives of the council.

REVENUE:

This activity generates dedicated revenue.

Dollars in Thousands				
<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

Type of Revenue:					
Dedicated - Federal	\$ 867	\$ 870	\$ 1,094	\$ 1,094	\$ 1,094

GRANTS:

By federal law (P.L. 101-496), not less than 65 % of the federal grant must be regranted for projects that are designed to achieve the goals and objectives determined by the council and articulated in the council's Three-Year Plan. These grants for federal fiscal year 1993 fall into 3 categories: 1) Youth leadership and self-determination; 2) Partners in policymaking; and 3) Advanced leadership. Outcomes from these grants include:

- Better life and career-planning skills for disabled youth;
- Skills for the disabled in the influencing of policymakers;
- Knowledge of organizations that can help them attain services;
- Knowledge of systems that fund and deliver services and how to impact them; and
- Knowledge on building a leadership core, developing teamwork and a common purpose.

The availability of grants is announced through the State Register. Eligibility is determined by the council on a project-by-project basis and grants are generally given to private nonprofit organizations with the capability for carrying out the specific project. The amount of the grants is determined by the council in its annual allocation decisions.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: DEVELOPMENTAL_DISABILITIES_COUNCI

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES		321	275	275	276	275	275	277	276
EXPENSES/CONTRACTUAL SRVCS		425	834	834	834	834	834	834	834
MISC OPERATING EXPENSES		58	14	14	14	14	14	14	14
SUPPLIES/MATERIALS/PARTS		19	12	12	12	12	12	12	12
CAPITAL EQUIPMENT		22							
OTHER			4	4	4	4	4	4	4
SUBTOTAL STATE OPERATIONS		845	1,139	1,139	1,140	1,139	1,139	1,141	1,140
LOCAL ASSISTANCE		143							
TOTAL EXPENDITURES		988	1,139	1,139	1,140	1,139	1,139	1,141	1,140
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES						<1>			<1>
TOTAL GOV'S INITIATIVES						<1>			<1>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		44	45	45	46	45	45	47	46
STATUTORY APPROPRIATIONS:									
FEDERAL		944	1,094	1,094	1,094	1,094	1,094	1,094	1,094
TOTAL FINANCING		988	1,139	1,139	1,140	1,139	1,139	1,141	1,140
POSITIONS BY FUND:									
GENERAL	.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
FEDERAL	.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: DEVELOPEMENTAL_DISABILITIES_COUNCI

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

1994-95 Biennial Budget

BUDGET ACTIVITY: System of Technology to Achieve Results (STAR)
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

System of Technology to Achieve Results (STAR) is a program of the Governor's Advisory Council on Technology for People with Disabilities. The goal of this program is to develop a statewide, comprehensive, consumer-responsive program of technology-related assistance for individuals of all abilities and all ages. It is funded under Title I: Grants to States under the Technology-Related Assistance for Individuals with Disabilities Act (P.L. 100-407) through the National Institute on Disability and Rehabilitation Research (NIDRR). The STAR program is currently in year 4 of a 5-year grant. The following program objectives are determined by federal legislation and the specific activity choices are a result of public input through surveys, focus groups, public hearings and extensive evaluation of existing state programs and services and approval by the NIDRR federal program officer.

1. Public Education and Awareness

- Minnesota-Iowa cooperative toll free information and referral service and bimonthly newsletter.
- Public awareness campaign.
- Training and outreach to populations of color and pre-professional training.

2. Public Policy Advocacy

- Systematic analysis of all agencies so that a seamless system can be developed to provide access to technology for individuals of all ages.
- Graduate internship program in public policy.

3. Improve Access to Funding Resources

- Publication of funding directory for assistive technology in Minnesota.
- Funding workshops, regional conferences and individual assistance.
- Legal and supplemental advocacy services.

4. Promote the Involvement of Individuals with Disabilities and Their Families

- Scholarships to conferences of national significance.
- Recruit, train and employ individuals with disabilities and family members to evaluate all aspects of the STAR program.

5. Expand Delivery of Technology Devices and Services

- Mobile outreach service grants.
- Peer/mentor projects.
- Community-based resource grants.

6. Ensure Interagency Coordination

- Fund meetings of the Governor's Advisory Council on Technology For People with Disabilities.
- Fund Minnesota Assistive Technology Consortium.
- Host annual public-private sector development forum.

7. Life Span Flexibility

- All STAR activities are designed to meet needs of all ages and all disabilities throughout the state.

BUDGET ISSUES:

STAR is 100% federally funded. It is in its fourth year of a 5-year innovation and demonstration grant. The enabling legislation is expected to sunset on 9-30-94. The Department of Administration has recommended that STAR be established as an independent agency.

EFFICIENCY MEASURES:

	Federal F.Y. 1992
Scholarships for individuals with disabilities to conference of national significance:	20
Scholarships to organizations serving over 100 individuals:	3
Technology-related brochures distributed:	90,000
INFOTECH newsletter:	51,300
STAR conferences (individuals attended):	500
Individuals assisted in financing technology:	393
Funding directories distributed:	13,000
Community-based grants:	4
Mobile outreach grants:	2
Individuals assisted by grant programs:	1,562
Information requests:	869
INFOTECH information and referral requests:	305
Consumers involved as consultants, evaluators, monitors:	1,606

REVENUE:

This activity generates dedicated revenue.

	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Type of Revenue:					
Dedicated - Special	\$ 0	\$ 2	\$ 2	\$ 0	\$ 0
Dedicated - Federal	<u>661</u>	<u>657</u>	<u>570</u>	<u>570</u>	<u>570</u>
Total	\$ 661	\$ 659	\$ 572	\$ 570	\$ 570

1994-95 Biennial Budget

BUDGET ACTIVITY: System of Technology to Achieve Results (STAR)
PROGRAM: Administrative Management
AGENCY: Administration, Department of
(Continuation)

GRANTS:

Grants are authorized under P.L. 100-407. The total amount of money to be awarded is authorized by a NIDRR federal program officer. Two types of grants are awarded by the STAR program: 1) Grants for Assistive Technology Mobile Delivery Programs and 2) Community Based Resources grants. Eligible applicants are nonprofit agencies, for-profit organizations, units of government, institutions of higher education, and school districts except where supplanting of federal funds would occur. Requests for proposal are issued through notice in the State Register and local media. A 3-stage peer review process is used to evaluate each proposal using the following criteria:

1. Project plan design method, feasibility and likelihood of success;
2. Potential impact on quality and quantity of services for those who are underserved and unserved;
3. Inclusion of individuals with disabilities and their families;
4. Budget, cost-effectiveness and accountability;
5. Administrative and professional capability;
6. Evaluation; and
7. Innovation and creativity.

Recommendations for funding are made on a funds available basis and submitted to the commissioner for final approval.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: SYSTEM OF TECHNOLOGY TO ACHIEVE RE

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES		193	170	170	170	170	170	170	170
EXPENSES/CONTRACTUAL SRVCS		229	226	226	226	226	226	226	226
MISC OPERATING EXPENSES		48	47	47	47	47	47	47	47
SUPPLIES/MATERIALS/PARTS		21	21	21	21	21	21	21	21
SUBTOTAL STATE OPERATIONS		491	464	464	464	464	464	464	464
LOCAL ASSISTANCE		200	108	108	108	108	108	108	108
TOTAL EXPENDITURES		691	572	572	572	572	572	572	572
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		4	2	2	2	2	2	2	2
FEDERAL		687	570	570	570	570	570	570	570
TOTAL FINANCING		691	572	572	572	572	572	572	572
POSITIONS BY FUND:									
FEDERAL		.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL POSITIONS		.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

BUDGET ACTIVITY: State Employee Assistance Program (EAP)
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The mission of State Employee Assistance Program (EAP) is to provide leadership and professional services to individuals and agencies on effective means to restore, maintain and strengthen the health and productivity of state employees. Services include confidential assistance to enable individual employees and their families to resolve personal problems that may affect job performance. The program functions primarily as an assessment, short-term counseling and referral agency. EAP is also an integral component of the state's performance management system. By means of its consultation and training services, EAP has become an essential resource for managers, supervisors and union leaders to rely on when addressing an employee's deteriorating performance, attendance or behavior. EAP emphasizes reaching people before personal stress interferes with the job, but EAP is also responsive to sudden and traumatic workplace crises such as employee deaths, serious accidents, threats of violence or harassment. Expanded services and new initiatives geared toward managing organizational conflict and maintaining productive employees while downsizing are being integrated with existing programs.

Management Consultation for Supervisors and Managers

To assist managers, supervisors, and union representatives in identifying and resolving interpersonal issues within troubled work groups. Consultation is provided in the following ways:

- Short-term problem solving groups;
- Meeting facilitation;
- Employee training/educational opportunities;
- Performance management consultation/coaching;
- Workplace crisis response;
- Educational materials; and
- Support/discussion groups.

BUDGET ISSUES:

EAP anticipates a heightened demand for program services due to the state's projected overall deficit in the upcoming biennium. Resolving this problem is expected to increase stress in the workplace, affecting employee morale and productivity.

Another important budget consideration is providing competitive hourly rates to vendors outstate. EAP paid \$55 per hour for the past 5 years and may need to raise this to maintain quality vendors. Increased rates may require limiting the number of employee visits to outstate vendors.

EFFICIENCY MEASURES:

Assessment, Short-term Counseling and Referral Services

These services provide state employees and immediate family members a confidential, professional counseling resource to address personal problems. EAP achieves positive outcomes as it finds solutions, restores personal and physical well-being and maintains work productivity.

	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
New clients served statewide:	1,500	1,677	1,682	1,760
Employees served by contracted providers:	374	450	700	790
Cost per counseling session:	\$55	\$55	\$55	\$55

REVENUE:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: STATE_EMPLOYEE_ASSISTANCE_PROGRAM

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	315	337	350	352	363	351	352	374	361
EXPENSES/CONTRACTUAL SRVCS	109	112	80	75	62	62	75	66	66
MISC OPERATING EXPENSES	10	6	12	12	12	12	12	12	12
SUPPLIES/MATERIALS/PARTS	8	5	5	5	5	5	5	5	5
CAPITAL EQUIPMENT		1							
SUBTOTAL STATE OPERATIONS	442	461	447	444	442	430	444	457	444
TOTAL EXPENDITURES	442	461	447	444	442	430	444	457	444
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES						<12>			<13>
TOTAL GOV'S INITIATIVES						<12>			<13>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	442	461	447	444	442	430	444	457	444
TOTAL FINANCING	442	461	447	444	442	430	444	457	444
POSITIONS BY FUND:									
GENERAL	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
TOTAL POSITIONS	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Oil Overcharge
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

This activity provides management and distribution of Minnesota's share of proceeds from federal court settlements of oil price violations that occurred during the 1973-1981 regulatory period. Funds are received by the state from the U.S. Department of Energy. Allocations are made by legislative appropriation for uses that must be consistent with terms of the court settlement, decisions of the U.S. Department of Energy and with M.S. 4.071.

Since 1988, when the legislature assigned tasks of managing oil overcharge funds and program activities to the Department of Administration, this activity of the Administrative Management Bureau has established itself as Minnesota state government's central source of information and oversight of oil overcharge-financed programs. The activity currently accounts for an accumulated \$37,400,000 in oil overcharge funds and manages grants covering 49 separate programs.

BUDGET ISSUES:

The activity is expected to continue for several more years until the remaining \$3.5 million in oil overcharge money expected is received and allocated by legislative appropriation, and after all funded programs have been completed.

EFFICIENCY MEASURES:

- Percent of grant monies spent on administration: .7%.

REVENUE:

This activity generates dedicated revenue.

Dollars in Thousands				
<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

Type of Revenue:

Dedicated -					
State Government Special	\$ 3,048	\$ 3,993	\$ 1,960	\$ 1,960	\$ 960

GRANTS:

Oil overcharge grants are authorized by the legislature pursuant to M.S. 4.071 and in accordance with U.S. Department of Energy requirements and terms of federal court settlements with oil companies. Since 1988, the Department of Administration has managed \$37,400,000 allocated to 49 separate programs for which varying amounts have been allocated by the legislature to state agencies, educational institutions and community organizations under the following criteria:

- Provides restitution to citizens who suffered from oil overcharges;
- Promotes energy conservation through reduced consumption, and through research and technology transfer resulting in energy conservation;
- Results in broad public effects and benefits;
- Supplements rather than supplants regular state financing; and
- Follows approved precedents of the U.S. Department of Energy and federal court settlements.

One-half of the funds are committed to the Department of Jobs and Training's Low Income Weatherization Program. All other proposals are submitted to the Legislative Commission on Minnesota Resources. If approved, they are recommended to the legislature for appropriation.

The state expects to receive an additional \$3.5 million from oil overcharge settlements by 1996.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: OIL OVERCHARGE

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	63	88	92						
EXPENSES/CONTRACTUAL SRVCS	8	8	8						
CAPITAL EQUIPMENT	1								
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
SUBTOTAL STATE OPERATIONS	72	96	100						
LOCAL ASSISTANCE	350	625			2,012				
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL EXPENDITURES	422	721	100		2,012				
GOV'S INITIATIVES:									
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<880>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<294>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<230>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<78>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<150>			
(B) GOVERNOR'S LCMR ALTERNATIVE FUNDING			SGS			<380>			
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL GOV'S INITIATIVES						<2,012>			
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
STATE GOVT SPEC REV					2,012				
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	422	721	100						
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL FINANCING	422	721	100		2,012				

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: OIL OVERCHARGE

ACTIVITY SUMMARY	FY 1994			FY 1995			
	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
STATE GOVT SPEC REV	2.1	2.1	2.1	2.1	2.1	2.1	2.1
TOTAL POSITIONS	2.1	2.1	2.1	2.1	2.1	2.1	2.1

1994-95 Biennial Budget

PROGRAM: Information Policy Office
AGENCY: Administration, Department of

PROGRAM PURPOSE:

The Information Policy Office (IPO) is charged by the legislature and governor with assuring that all major state government information management activities are coordinated and well-managed. IPO takes a statewide view of the public's information systems, provides a vision beyond that of the individual agency, and acts as the state's information technology leader. IPO works with policymakers to develop policies related to information management and public information.

The Information Strategies and Planning activity within IPO assists state agencies and the legislature by developing and implementing an open architecture (including policies, guidelines and standards) for information systems and by implementing management disciplines that allow agencies to effectively use information resources to achieve business objectives. A completely implemented open architecture would allow any computer in government to be easily connected to another computer and would allow efficient sharing of appropriate data between systems or computers.

In the operation of the Public Information Policy Analysis activity (formerly the Data Practices and Records Management activities), IPO's major role is to help state and local government organizations understand and comply with state and federal laws concerning records management, data practices and access to data. IPO also works with the legislature to develop policies in these areas and provides information and referral services to citizens, both organizations and individuals.

The Intergovernmental Information Systems Advisory Council (IISAC) is an activity within IPO. IISAC's charge is to promote and encourage the effective, efficient use and exchange of information among local and state government agencies. IPO supports and assists IISAC.

IPO contributes to the Department of Administration mission by developing and implementing public policy to provide for quality and productivity improvements in managing state information systems; public access to data; privacy and security protection; retaining and disposing of government records; and cooperative state and local government management of joint information systems.

The ultimate success of all programs designed to accomplish the Minnesota Milestone goals will in large part depend on effective management of information required to develop, implement and evaluate these programs. IPO provides direction and support for state and local governments as they develop effective and efficient information management capabilities.

In addition, IPO directly contributes to 4 Minnesota Milestone goals. Through choosing and implementing appropriate information system standards, IPO provides the framework on which the Milestone goal of "rapid communication of high volumes of information to and from all parts of Minnesota and the world" will be constructed. In helping government agencies comply with statutes that give citizens the right of access to information, IPO directly assists in the Milestone goal that "people will believe their participation in government is meaningful." In establishing an open architecture for information, selecting and implementing detailed standards and developing techniques for properly managing government information, IPO contributes to the goal that "government in Minnesota will be more efficient." IPO's assistance to its legislative and agency

clienteles, to develop policies relating to citizen access to information and to help agencies ensure that citizens gain access will play a large role in the success of the Milestone goal that "government decision-making will be decentralized and accommodate community participation."

PROSPECTS:

- The state's installed information system base is very large. The computerized portion is mostly proprietary (closed architecture) and, therefore, does not meet state open architecture standards. Converting these systems to meet architecture standards will provide for necessary data sharing and connectivity between organizations. This conversion will take place gradually over many years.
- The standards selected by IPO are developed through open, public consensus processes by national and international committees that have been in existence for many years. A number of standards have been approved by these organizations over the years and vendors have developed products that conform to them. Many more standards are needed and are being developed. When choosing system components, state organizations will select products that meet available standards. When standards and products are not available, state organizations will select products that best position both the organization and the state to move to open standards when these standards and products become available.
- Sharing data among organizations is critical for effective government. Government organizations must cooperate when dealing with data-sharing issues and solutions. This requires individual government organizations to view data as a state resource that is owned and shared by all and begin working cooperatively on data issues. This is a new way of thinking for many organizations.
- Many agencies continue to view records management, public access and data practices requirements as impediments. How IPO works with agencies in these activities is partially shaped by that reality.
- IISAC may have to look at new and innovative ways to provide leadership in the area of intergovernmental information systems if grant funds are reduced further.
- Lack of support of the Local Government Financial Reporting Project (FINREP) by local government, because the funding is coming from Local Government Aids, may create funding problems for this project.

OUTCOMES:

The Information Policy Office has developed a statewide architecture with policies, guidelines and standards for agency information management. Published policies have addressed security and outsourcing. Identified standards have addressed electronic mail, electronic data interchange (EDI), database access and networking. Methodologies for life cycle analysis, strategic information planning, information system review, and budget request review have been developed and provided to agencies. Reviews and ratings of information system budget requests have been completed for each budget cycle. Support has been provided for IISAC's activities, including strategic planning, grant awards, ongoing management of grant activities, and multiple multigovernment data projects, most notably FINREP. IISAC has developed an action plan as part of its annual planning process. This plan is based on requirements in the statute creating IISAC. The main focus has been to work

1994-95 Biennial Budget

PROGRAM: Information Policy Office
AGENCY: Administration, Department of
(Continuation)

in the areas of intergovernmental data interchange, education and training, grant administration and creating sensitivity to local government issues. In hundreds of cases, IPO helped agencies comply with records management, data access and data practices requirements. These accomplishments have provided statewide direction for governments to follow in managing information and have made tools available to help governments improve information management capabilities.

Effectiveness measures are:

- Progress within data communities toward effective, cooperative data management (a data community is a group of public and/or private organizations that have a business need to share data and, therefore, must manage data cooperatively)
 - Existing data community model will provide base line
 - Number of data communities identified
 - Number of data communities actively working toward cooperative data management
- Progress within agencies in moving toward open architecture standards
 - Budget requests and requests for proposal (RFP) reviews completed by IPO in F.Y. 1992-93 will provide base line
 - Number of budget requests that meet selected standards and include a strategy for moving toward open standards
 - Number of RFPs reviewed that meet selected standards
- Numbers of governmental agencies seeking assistance and education about compliance with a variety of information statutes will continue to grow annually with no marketing effort by IPO
- Number of agencies avoiding lawsuits under Data Practices Act because of consultation with IPO will continue to be far greater than the number of agencies being sued
- Acceptance of FINREP recommendations by both state and local government based on comments from involved governments
- Survey results by participants that indicate better than average results for the conferences and other educational experiences IISAC sponsors
- Grant projects will benefit more than 1 government agency
- Local government issues or problems with state agencies will be satisfactorily resolved.

OBJECTIVES:

- Establish base lines as described above in effectiveness measures.
- Continue progress within data communities toward cooperative data management.
- Continue progress within agencies in moving to open standards.
- Continue to provide strong customer support.
- Handle an anticipated 10-15% increase in inquiries and requests for training from agency clientele.
- Provide consulting services to the legislature on an estimated 250-300 bills involving data practices, data access and sharing and records management that will be introduced in the 1993 and 1994 legislative sessions.
- Work with all levels of government to get acceptance of FINREP recommendations.

- Continue to attain success with the Computer Symposium and Telecommunications Conference.
- Provide additional educational opportunities for government employees.

PROGRAM PLAN:

Because of reduced resources, program objectives reflect the need to have more focused objectives. Objectives include:

- Continue work with data communities. Support, encourage and guide these communities as they progress toward cooperative data management.
- Continue to work with agencies to implement specific approved standards.
- Continue work on developing and implementing a strategy for moving to state information architecture policies and standards.
- Continue working with agencies and the legislature to establish more effective and less complex ways of dealing with questions and issues that arise under various laws relating to information.
- Work to support legislation that will be introduced in the 1993 session whose objective will be to simplify how opinions about information laws are given and to make those opinions more effective.
- Evaluate the process used to provide data practices and records management training, which is a major service offering, with an objective of service redesign.
- Continue to evaluate present educational programs and look into new opportunities.
- Initiate grants that may have a positive impact on state and local government.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: a biennial increase in funding above the agency plan level of \$3,000,000 for the planning and design of Customer Service Centers. The Governor also recommends that proposed funding be reduced due to revised salary planning estimates.

Local Government Trust Fund:

The Governor recommends a biennial increase of \$1,700,000 from the Local Government Trust Fund over the F.Y. 1993 spending level to meet current law goals for development of an intergovernmental information system.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INFORMATION POLICY OFFICE

ACTIVITY RESOURCE ALLOCATION:	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
INFORMATION STRATEGIES AND PLANNING	1,218	1,144	1,386	1,379	1,394	2,347	1,378	1,430	3,391
PUBLIC INFORMATION POLICY ANALYSIS	95	109	114	115	172	166	115	176	170
INTERGOVERNMENTAL INFORMATION SYST	142	141	575	543	535	1,381	543	539	1,385
TOTAL EXPENDITURES BY ACTIVITY	1,455	1,394	2,075	2,037	2,091	3,894	2,036	2,145	4,946
GOV'S INITIATIVES:			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<47>			<49>
(A) INTERGOVERNMENTAL INFO SYSTEM			LGT			850			850
(B) CUSTOMER SERVICE CENTERS			GEN			1,000			2,000
TOTAL GOV'S INITIATIVES						1,803			2,801
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVERNMENT TRUST			350	350	350	1,200	350	350	1,200
GENERAL	1,454	1,390	1,725	1,687	1,741	2,694	1,686	1,795	3,746
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	1	4							
TOTAL FINANCING	1,455	1,394	2,075	2,037	2,091	3,894	2,036	2,145	4,946
POSITIONS BY FUND:									
GENERAL	23.6	23.6	23.6	23.6	23.6	30.6	23.6	23.6	30.6
TOTAL POSITIONS	23.6	23.6	23.6	23.6	23.6	30.6	23.6	23.6	30.6

1994-95 Biennial Budget

BUDGET ACTIVITY: Information Strategies and Planning
PROGRAM: Information Policy Office
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

This activity is responsible for the development and implementation of the statewide information architecture. The information architecture is a description of how the components of state information systems (data, applications, hardware and networks) can fit together across organizational lines to effectively support current and future government programs. The information architecture includes policies, standards and guidelines that together provide a direction and a design for effective management of state information resources. The standards particularly benefit the state by providing for statewide data sharing and interconnectivity.

Implementing architecture policies, guidelines and standards is critical to the success of this activity. The primary focus is to work closely with organizations and provide them with information about the architecture, help them become educated on more specific architecture topics and support and encourage them so they can make sustained progress toward improving information system management. This activity also administers agency technology contracts (e.g., M-contracts) and creates methodologies and models for organizations to use in managing information resources (e.g., systems development methodology and life cycle methodology). Monitoring agency efforts in information management and architecture implementation is also a responsibility of this activity. This is accomplished through review, approval and rating of agency information system appropriations requests, and through review and approval of agency information systems purchase requests.

Clientele includes the state agencies, the legislature, the governor, local governments, and private sector organizations. This activity works closely with the Intergovernmental Information Systems Advisory Council (IISAC) staff and Public Information Policy Analysis Division (PIPA) to meet the needs of the Information Policy Office (IPO) clientele.

BUDGET ISSUES:

Two divisions within IPO (Planning Division and Information Resource Management Division) have been combined. This will provide a more cohesive strategy for program delivery and will allow the new division to maximize resources. More consistent communication should result, as well as improved coordination leading to improved customer service. One director level position has been eliminated as a result of this consolidation.

Responsibility for the Council on Geographic Information has been assigned to this activity. Previously, responsibility for the council was shared by this activity and the Land Management Information Center (LMIC). LMIC will continue to play an active role in council activities and discussions. IPO will add a full-time professional position transferred from LMIC to work with the council to provide support, and to coordinate IPO policy and standards development activity with council activities.

Public Information Policy Analysis (PIPA) has now been fully funded through internal reallocation of department funds and has assumed responsibility for state and local government records management. This allows the Information Strategies and Planning activity to focus all resources on architecture development and implementation. Close coordination and working relationships with PIPA are critical to this activity.

EFFICIENCY MEASURES:

Improved information management and statewide data sharing and interconnectivity achieved through implementation of the state architecture will provide for more efficient use of information resources in support of state programs. More efficiencies will be realized as the state progresses in implementing the architecture, a process which is just now beginning. Therefore, efficiency measures and indicators for this activity are designed to focus on implementation progress within agencies and groups of agencies. The focus will be on progress in moving toward open systems and progress within data communities (groups of organizations with a need to share data who, therefore, must manage data cooperatively) toward cooperative management of data resources.

Effectiveness Measures:

- Progress within data communities toward cooperative data management, with existing data community model will providing the base line.
 - The number of data communities identified.
 - The number of data communities actively working toward cooperative management of data.
- Progress within agencies in moving toward open architecture standards, with budget requests and RFP reviews completed by IPO in F.Y. 1992-93 providing base line.
 - The number of budget requests that meet selected standards and include a strategy for moving toward open standards.
 - The number of RFPs reviewed that meet selected standards.

REVENUE:

None.

GRANTS:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INFORMATION POLICY OFFICE
ACTIVITY: INFORMATION STRATEGIES AND PLANNIN

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	967	912	1,064	1,068	1,106	1,419	1,068	1,142	1,453
EXPENSES/CONTRACTUAL SRVCS	118	90	232	221	218	418	220	228	1,728
MISC OPERATING EXPENSES	31	26	60	60	30	120	60	30	180
SUPPLIES/MATERIALS/PARTS	56	69	16	16	16	16	16	16	16
CAPITAL EQUIPMENT	46	47	14	14	14	374	14	14	14
SUBTOTAL STATE OPERATIONS	1,218	1,144	1,386	1,379	1,384	2,347	1,378	1,430	3,391
TOTAL EXPENDITURES	1,218	1,144	1,386	1,379	1,384	2,347	1,378	1,430	3,391
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<37>			<39>
(B) CUSTOMER SERVICE CENTERS			GEN			1,000			2,000
TOTAL GOV'S INITIATIVES						963			1,961
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,217	1,140	1,386	1,379	1,384	2,347	1,378	1,430	3,391
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	1	4							
TOTAL FINANCING	1,218	1,144	1,386	1,379	1,384	2,347	1,378	1,430	3,391
POSITIONS BY FUND:									
GENERAL	19.6	19.6	19.6	19.6	18.6	25.6	19.6	18.6	25.6
TOTAL POSITIONS	19.6	19.6	19.6	19.6	18.6	25.6	19.6	18.6	25.6

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F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Administration, Department of
 PROGRAM: Information Policy Office
 ACTIVITY: Information Strategies and Planning

ITEM TITLE: Customer Service Centers

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,000	\$2,000	\$570	\$570

Statutory Change? Yes _____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for the planning and design of customer service centers, and for implementation of a pilot project to measure their effectiveness in improving service delivery.

The Information Policy Office has reviewed and supports this project if funding is available consistent with any requirement identified in its analysis.

The citizens of Minnesota—the customers—are in the best position to tell us what services they want and need. Our challenge as government service providers is to continually test and adopt new ways to provide the most effective and efficient delivery of state services.

Citizens are not always best served with government services provided centrally in St. Paul or even in a network of regional agency offices. Services will be brought closer to the customer. Close to the customer may mean physically closer or it may mean increasing the accessibility and availability of information through technology. Expanded experience in using information technology gives the department the opportunity to re-examine its overall approach to providing services to citizens.

Initial expenditures of \$1 million in F.Y. 1994 and \$2 million in F.Y. 1995 will be required to plan, design, equip and operate a pilot program of customer service centers. These expenditures include a needs analysis, software development, performance measurement, and analysis. Annual operating costs of \$570,000 in subsequent fiscal years will be needed to maintain, staff, and operate these service centers.

The customer service centers will provide citizens with a wide range of state government products and services. The Department's of Revenue and Public Safety are committed to participating in the project. Other possible partners include the Departments of Human Services, Jobs and Training, Natural Resources, Human Rights, and the Secretary of State. A needs analysis will be conducted

to determine which services citizens want to have available in state service centers. Most likely, the pilot centers will start with a core of services most in demand, and other services will be added over time.

The pilot project will prepare and analyze different service center designs. For more routine, standardized services, computerized kiosks may be the most effective design. For more complex services requiring more extensive human interaction, mobile service units or offices-with-an-office may be the best design. Customer service centers could be customized for special populations by changing the mix of service and product offerings and the technology used.

PROGRAM OUTCOMES:

The outcomes of this investment are improved access to state services and more efficient service delivery. A less tangible outcome, but no less important, is changing customers' perception of how responsive government is to their concerns and how well services are delivered that they want and need.

LONG-TERM IMPACT:

If successful, customer service centers may significantly alter the state's service delivery system and organizational structure. The department plans to actively pursue partnerships with private sector industries already engaged in distributed service strategies to learn from their experiences.

Since all of the options under consideration include data access and networking capabilities, this initiative will require a comprehensive, statewide information architecture approach to data administration and wide-area network capabilities. The data administration standards being developed by the Information Policy Office and InterTech's statewide area network services (STAR) will be considered in the planning process.

1994-95 Biennial Budget

BUDGET ACTIVITY: Public Information Policy Analysis (PIPA)
PROGRAM: Information Policy Office
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

Public Information Policy Analysis (PIPA) was created by merging the Information Policy Office's (IPO) Data Practices Division and Records Management activities. PIPA helps government agencies and private organizations understand and comply with a variety of laws that constitute public policy decisions about data practices, records management and access to government-held information and other types of information. A second major role is to assist the legislature in developing consistent, coherent and workable statutes relating to data access, practices affecting data and the disposition of both governmental and non-governmental information. The clientele of the legislative activity includes the commissioner of administration, federal and state agencies, local government, the legislature, private sector organizations and individual citizens. This activity also assists individual citizens by providing information and referral services.

BUDGET ISSUES:

Given budget constraints, this new activity will be required to better focus its activities. It is anticipated that the merger will have a positive budget effect because staff members will be cross-trained and better utilized; staff members will no longer be solely dedicated to records management or data practices work. The F.Y. 1994-95 budget request is significantly lower than just several years ago.

EFFICIENCY MEASURES:

Performance measures:

- The activity spends an estimated 60% of staff time assisting state and local government agencies with compliance. An estimated 35% of its time is spent working with the legislature and others on policy development. The remaining 5% of staff time is spent dealing with the public.

Data practices workload:

- Phone inquiries answered from state and local agencies and their attorneys in F.Y. 1982 = 1,193; in F.Y. 1988 = 1,873; and in F.Y. 1992 = 2,731.
- Phone inquiries answered from media, individual and organizational citizens and their attorneys in F.Y. 1982 = 547; in F.Y. 1988 = 739; and in F.Y. 1992 = 1,048.
- Educational presentations given in 1982 = 29; in 1988 = 59; in 1990 = 76; and in 1991 = 59** (these years are calendar years).
- Consultation with clients on specific problems/issues in 1982 = 34; in 1988 = 34; in 1990 = 34; in 1991 = 41 (calendar years).

Records management workload:

- Records management information requests by local governments in F.Y. 1990 = 290; in F.Y. 1991 = 411; and in F.Y. 1992 = 434.

- * F.Y. 1992 inquiries are somewhat inflated due to considerable interest in mailing list study conducted by activity.
- Number of presentations in 1991 is reduced due to decision to concentrate on mailing list study.
- Figures for state government records management activity are not available.

EFFECTIVENESS MEASURES:

Measuring the effectiveness of this activity presents the difficult problem of proving what might have happened if PIPA had not been in existence. The major role of the data practices part of this activity is to help government agencies comply with laws where the failure to comply carries the penalty of being sued and perhaps having to pay damages and legal costs. The activity provides this assistance by answering questions, helping agencies work through specific situations, reviewing policies and procedures, consulting on legal, policy and procedural issues and providing education at sessions that range from 1 hour to 2 days in length. This activity is effective if it helps government clients comply with the law and avoid adverse litigation results. Effectiveness data in this area is also largely anecdotal. For example, in 4 of the most significant lawsuits brought under the Data Practices Act in the last 5 years, the government agency being sued did not, prior to doing what it did, seek assistance from PIPA. Costs, damages, legal fees and other expenses in those 4 cases total more than \$300,000. In every case, those costs could have been avoided had consultation with PIPA led the agency to comply with the law. By contrast, in PIPA's major activity of providing answers and suggested direction to government agencies there has rarely been a lawsuit, and especially a lawsuit lost by PIPA clients. In 3 recent cases, PIPA clients, as is their right, ignored the advice given them and subsequently lost lawsuits. In 1 of those cases they were required to pay significant attorney's fees.

The major focus in the Records Management activity is to help government agencies comply with the law. The objectives of those laws are to prevent the improper disposition of government records so that agencies preserve historical records and meet legal and audit requirements.

REVENUE:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: INFORMATION POLICY OFFICE
ACTIVITY: PUBLIC INFORMATION POLICY ANALYSIS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995			
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	
EXPENDITURES:										
DETAIL BY CATEGORY:										
STATE OPERATIONS:										
PERSONAL SERVICES	90	105	108	109	166	160	109	170	164	
EXPENSES/CONTRACTUAL SRVCS	3	1	2	2	2	2	2	2	2	
MISC OPERATING EXPENSES	2	3	4	4	4	4	4	4	4	
SUBTOTAL STATE OPERATIONS	95	109	114	115	172	166	115	176	170	
TOTAL EXPENDITURES	95	109	114	115	172	166	115	176	170	
GOV'S INITIATIVES:										
									FUND	
(A) SALARY PLANNING ESTIMATES										GEN
						<6>				<6>
						<6>				<6>
TOTAL GOV'S INITIATIVES										<6>
SOURCES OF FINANCING:										
DIRECT APPROPRIATIONS:										
GENERAL	95	109	114	115	172	166	115	176	170	
TOTAL FINANCING	95	109	114	115	172	166	115	176	170	
POSITIONS BY FUND:										
GENERAL	2.0	2.0	2.0	2.0	3.0	3.0	2.0	3.0	3.0	
TOTAL POSITIONS	2.0	2.0	2.0	2.0	3.0	3.0	2.0	3.0	3.0	

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1994-95 Biennial Budget

BUDGET ACTIVITY: Intergovernmental Information Systems Advisory Council (IISAC)
PROGRAM: Information Policy Office
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Intergovernmental Information Systems Advisory Council (IISAC) was established by the legislature in 1972 to provide leadership for cooperation and exchange of information between units of government. IISAC has one of Minnesota's broadest governmental advisory council memberships. Its members represent:

- Cities, counties, townships, regional governments and school districts, both from the metropolitan area and greater Minnesota.
- The state auditor and 6 state agencies (administration, education, human services, revenue, planning, legislative auditor).
- Four members at-large (presently local government associations).

IISAC provides services to all levels of government, including quasi-governmental organizations, and has a vision of units of government working together without barriers to meet the challenges of information management.

IISAC's charge is to promote and encourage the effective, efficient use and exchange of information among governmental units. IISAC:

- Promotes and assists data interchange activities among state agencies and local government.
- Advocates comprehensive standards and systems that improve information processing and interchange activities.
- Provides educational opportunities to keep local government up-to-date on technology issues through conferences, seminars and training sessions.
- Provides grants to public and quasi-public bodies to encourage new ventures in information interchange and innovative systems that can be replicated.
- Acts as a liaison between state and local government on information management issues.

BUDGET ISSUES:

IISAC is involved in:

- Training and conferences. IISAC sponsors the Computer Symposium and Telecommunications Conference. IISAC also plans to work with the Minnesota Computer Cooperative Consortium to provide data processing training on a statewide basis.
- Ombudsman service, which is important to continue working for cooperation and breaking down areas of conflict between governments.
- Data interchange and standards. This is an important part of IISAC's mission. IISAC will continue to study and recommend standards that assist data interchange.
- Grants. IISAC provides grants to projects that meet specific criteria. Assistance to aid development of efficient and needed systems projects is important in a period of a shortage of funds.

- Implementing the Local Government Financial Reporting Project (FINREP). The legislature acknowledged IISAC's role in creating cooperation among governments by giving it responsibility for implementing one of the most significant projects undertaken in recent years between local and state governments. The project will simplify local government reporting requirements and provide both financial and non-financial local government data in a database, making it more accessible to the legislature, state agencies and local government. Most importantly, it will provide the legislature with needed up-to-date information for proper decision-making.
- Pacesetter Award. Awards are made to government employees and their organizations for development of computer systems that encourage information sharing or that provide improved information services to the public.
- Working with the Information Policy Office (IPO). Information systems that impact local government are reviewed by IISAC through its working relationship with IPO. Additionally, policies developed by IPO are sent to IISAC for comment. When adopted by the state, these policies are communicated to local government organizations for consideration and use.
- Working with state agencies. State agencies often make presentations on projects to IISAC members to get local government input into the development process.

EFFICIENCY MEASURES:

Funds are appropriated to IISAC from the Local Government Trust Fund. IISAC designates how these funds are to be spent. Currently, funds are budgeted for staff, operating expenses and grants.

The efficiency indicators are difficult to measure except by the satisfaction of those served. Measurements of staff services are being accomplished through a survey of members. Measurement of IISAC duties is done in various ways. One is reviewing attendees' comments at IISAC conferences. Members also receive comments from their constituents. Grant results are studied. IISAC continues to review the work of IISAC committees. FINREP, which is to be completed during the F.Y. 1994-95 biennium, has great potential to change local/state relationships to a more productive way of working together, resulting in more accurate and timely financial reporting.

REVENUE:

This activity generates dedicated revenue.

Dollars in Thousands				
F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

Type of Revenue:

Dedicated - Local					
Government Trust	\$ 0	\$ 0	\$ 350	\$ 1,200	\$ 1,200

GRANTS:

Grants are made to applicants who meet formal criteria. Each request is reviewed by 2 committees, including an IISAC grant committee. Some of the evaluation criteria are: request must be unique; requestor must show ability to implement the proposal; results must be usable by similar organizations; proposal must meet one of IISAC's duties; proposal must support state standards; and sufficient information must be presented to determine feasibility. Preference is given to applicants who can provide matching funds or in-kind participation. Requests for over \$10,000 are evaluated

1994-95 Biennial Budget

BUDGET ACTIVITY: Intergovernmental Information Systems Advisory Council (IISAC)
PROGRAM: Information Policy Office
AGENCY: Administration, Department of
 (Continuation)

to determine whether funds can be derived elsewhere, including the legislature. Statutory authority is M.S. 16B.42.

1991 IISAC GRANT AWARDS:

MN Tele-Media	Conference on public sector information needs in rural regions	\$ 10,000
Government Training Service	Telecommunications conference	10,000
Government Training Service	Computer Symposium	<u>5,000</u>
TOTAL 1991:		\$25,000

1992 IISAC GRANT AWARDS:

Government Training Service	Telecommunications conference	\$ 15,000
Dakota County	Maternal and Child Health assessment development	8,000
Brainerd/Staples	CTAS (City & Town) training support	<u>5,888</u>
TOTAL 1992:		\$ 28,888

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INFORMATION POLICY OFFICE
ACTIVITY: INTERGOVERNMENTAL_INFORMATION SYST

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	99	94	101	101	105	101	101	108	104
EXPENSES/CONTRACTUAL SRVCS	8	8	377	377	368	1,218	377	369	1,219
MISC OPERATING EXPENSES	5	5							
SUPPLIES/MATERIALS/PARTS	1	1							
CAPITAL EQUIPMENT		4							
SUBTOTAL STATE OPERATIONS	113	112	478	478	473	1,319	478	477	1,323
LOCAL ASSISTANCE	29	29	97	65	62	62	65	62	62
TOTAL EXPENDITURES	142	141	575	543	535	1,381	543	539	1,385
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<4>			<4>
(A) INTERGOVERNMENTAL INFO SYSTEM			LGT			850			850
TOTAL GOV'S INITIATIVES						846			846
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVERNMENT TRUST			350	350	350	1,200	350	350	1,200
GENERAL	142	141	225	193	185	181	193	189	185
TOTAL FINANCING	142	141	575	543	535	1,381	543	539	1,385
POSITIONS BY FUND:									
GENERAL	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL POSITIONS	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

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1994-95 Biennial Budget

PROGRAM: Management Analysis
AGENCY: Administration, Department of

PROGRAM PURPOSE:

The Management Analysis Division (MAD) is state government's in-house management consulting organization.

The mission of the division is to increase the quality and productivity of government through its ability to manage resources and to create and implement effective business strategies. The division provides consultant services to state agencies, the governor, the legislature and local units of government.

The mission of the division directly contributes to the Minnesota Milestone goal of: "government in Minnesota will be more efficient."

Work requested by the governor, legislature, the commissioner of administration and in support of statewide productivity/quality improvement efforts are funded by the general fund. The division charges fees for work requested by state agencies and local units of government.

The division achieves its mission by:

- Providing objective information to the legislature on management and public policy issues confronting the state;
- Advising and acting for the governor and his cabinet on issues related to the overall management of state government;
- Developing, piloting, and disseminating innovative ways to improve government quality and productivity;
- Providing consultation and technical assistance on department operations to the commissioner of administration; and
- Providing affordable management consulting services on productivity and quality improvement to state agencies and local units of government.

PROSPECTS:

The division's general fund work plan changes depending on the priorities of the legislature, governor, commissioner of administration, and the cabinet. Some of the factors that could affect the priorities for the division are:

1. Implementation of CORE recommendations.

The Commission on Reform and Efficiency (CORE) is currently addressing a number of major systemic issues affecting state government. Depending on legislative action and gubernatorial priorities, division staff is positioned to become involved in the implementation of the recommendations evolving from the CORE effort.

2. Legislative assignments.

Historically, the legislature has directed the division to undertake specific studies or assignments. It is not possible to accurately predict the number and scope of each assignment, and whether or not appropriations will accompany the directive.

3. Governor's Office.

In addition to the division's regular duties of preparation of gubernatorial executive and reorganization orders and staffing assistance to the governor, the governor's office may direct the division to undertake special projects of a cabinetwide or statewide significance.

4. Department of Administration.

The commissioner of administration may direct the division to undertake projects that could range from statewide strike planning to transition assistance during a change in administration.

5. State government's fiscal health.

The division provides consulting services to state agencies and local units of government on a fee basis. The fiscal health of our clients could impact their decisions to hire a management consulting organization such as MAD. This could affect MAD's financial viability as well as the management of state government. On the other hand, agencies forced by economics to reorganize or reform may have special need for MAD's services.

OUTCOMES:

1. Well-informed policymakers.

During the past year, the division undertook 3 studies on behalf of the legislature: 1) assisting with the start-up of the Higher Education Board, charged with overseeing the merger of the higher education system; 2) alternative uses of the Waseca campus of the University of Minnesota; and 3) a study of bilingual state government services.

2. Statewide initiatives to improve the efficiency and effectiveness of state government.

The division was responsible for the design, development and staffing of the Commission on Reform and Efficiency. CORE's first phase recommended \$17.5 million in permanent base cuts. The legislature adopted \$11.8 million of CORE's recommendations. The work of the CORE Commission will be completed within the second year of the current biennium.

3. Improved operations of state government.

The division provided management consultation on 65 separate engagements. The division's services were provided to 25 state agencies, the Metropolitan Council, the Office of the Governor, Secretary of State, the House of Representatives, and the city of St. Paul.

1994-95 Biennial Budget

PROGRAM: Management Analysis
AGENCY: Administration, Department of
(Continuation)

OBJECTIVES:

1. Well-informed policymakers.

The division will continue to provide the legislature with objective studies as directed.

2. Improved operations of state government.

The division will implement 2 new services designed to improve the operations of government:
1) Total Quality Management consulting services and training courses; and 2) a program to develop leadership skills of midlevel public sector managers.

3. Implementation of CORE recommendations.

Depending on gubernatorial and legislative action, the division stands ready and is eager to assist in the implementation of the reform recommendations of the commission.

4. Transition assistance to state agencies.

Irrespective of CORE, state agencies will undergo major changes as a result of the fiscal condition of state government. The division will provide services to agencies requiring organizational redesign, strategic planning, and transition assistance.

PROGRAM PLAN:

To more properly allocate costs for departmentwide responsibilities, the assistant commissioner's salary is now substantially reallocated to the commissioner's office.

The staff resources of the Office of Dispute Resolution will be transferred to the division. The division is not requesting funding for the operations of the office as the division will charge its clients for services provided by the office as part of its management consultant service offering.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: MANAGEMENT ANALYSIS
ACTIVITY: MANAGEMENT ANALYSIS

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,193	1,767	2,288	943	964	949	943	986	971
EXPENSES/CONTRACTUAL SRVCS	292	221	324	88	93	93	136	145	145
MISC OPERATING EXPENSES	33	37	141	119	79	79	119	79	79
SUPPLIES/MATERIALS/PARTS	148	55	50	30	30	30	30	30	30
CAPITAL EQUIPMENT	66	1							
OTHER	19	20	49	49	49	49	49	49	49
SUBTOTAL STATE OPERATIONS	1,751	2,101	2,852	1,229	1,215	1,200	1,277	1,289	1,274
TOTAL EXPENDITURES	1,751	2,101	2,852	1,229	1,215	1,200	1,277	1,289	1,274
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<15>			<15>
TOTAL GOV'S INITIATIVES						<15>			<15>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	885	1,514	2,121	564	550	535	612	624	609
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	726	586	665	665	665	665	665	665	665
GIFTS AND DEPOSITS	140	1	66						
TOTAL FINANCING	1,751	2,101	2,852	1,229	1,215	1,200	1,277	1,289	1,274
POSITIONS BY FUND:									
GENERAL	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8
SPECIAL REVENUE	10.4	10.5	10.5	10.5	11.5	11.5	10.5	11.5	11.5

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: MANAGEMENT ANALYSIS
ACTIVITY: MANAGEMENT ANALYSIS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	22.2	22.3	22.3	22.3	23.3	23.3	22.3	23.3	23.3

DEPARTMENT OF ADMINISTRATION
DIVISION of MANAGEMENT ANALYSIS

REVOLVING FUND ACTIVITY: MANAGEMENT ANALYSIS
BUDGET ACTIVITY: 02-220
TYPE OF FUND: SPECIAL REVENUE FUND
FUND NUMBER: 20

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 94 - 95
PROGRAM: MANAGEMENT ANALYSIS

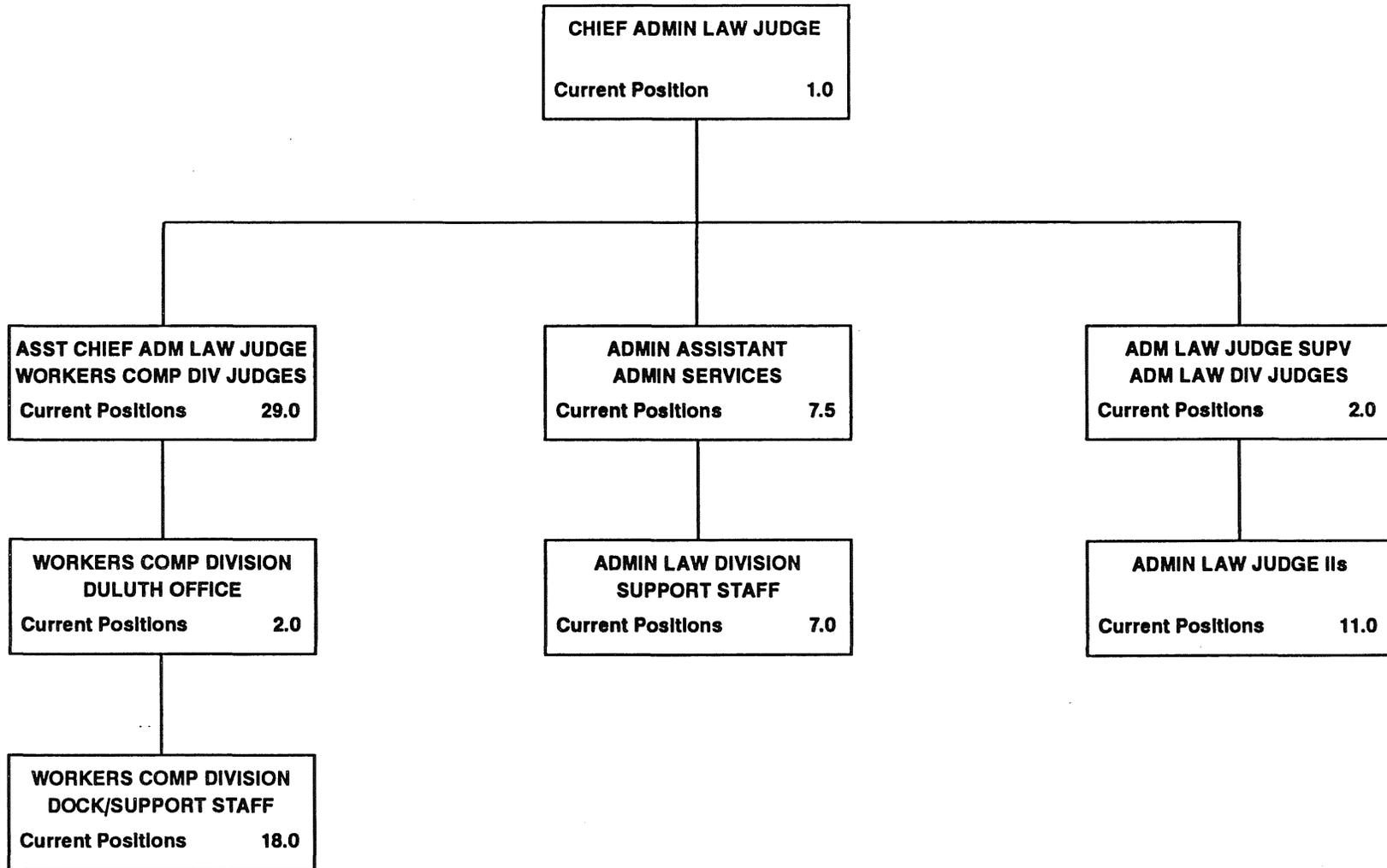
(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993	PROJECTED FY 1994 FY 1995			ACTUAL FY 1991	ACTUAL FY 1992	ESTIMATED FY 1993
OPERATING REVENUES:									
NET SALES	628.7	674.1	665.1	864.8	851.2				
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0				
GROSS PROFIT ON SALES	628.7	674.1	665.1	864.8	851.2				
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0				
NET REVENUES	628.7	674.1	665.1	864.8	851.2				
LESS: OPERATING EXPENSES:									
SALARIES	552.7	505.6	532.9	725.7	725.7				
SUPPLIES & EXPENSES	90.0	58.9	81.4	76.6	76.6				
INTEREST EXPENSE	0.5	1.8	0.6	0.0	0.0				
INDIRECT COSTS	19.1	19.8	48.9	48.9	48.9				
AMORTIZATION & DEPRECIATION	4.8	6.2	7.1	9.0	0.0				
TOTAL OPERATING EXPENSES	667.1	592.3	670.9	860.2	851.2				
OPERATING INCOME (LOSS)	(38.4)	81.8	(5.8)	4.6	0.0				
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0						
NET INCOME (LOSS)	(38.4)	81.8	(5.8)	4.6	0.0				
BEGINNING RETAINED EARNINGS	46.1	7.7	89.5	83.7	88.3				
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0				
ENDING RETAINED EARNINGS	7.7	89.5	83.7	88.3	88.3				
FOOTNOTES TO STATEMENTS:									
RATE INCREASE/(DECREASE):	20.00%	0.00%	10.00%	0.00%	0.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE):	6.00%								
ASSETS:									
CURRENT ASSETS:									
CASH	26.1	(50.7)	67.2						
OTHER CURRENT ASSETS	79.9	252.7	95.0						
TOTAL CURRENT ASSETS	106.0	202.0	162.2						
NON-CURRENT ASSETS:	26.5	20.3	13.2						
TOTAL ASSETS	132.5	222.3	175.4						
LIABILITIES & FUND EQUITY									
LIABILITIES:									
CURRENT LIABILITIES:									
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0						
MASTER LEASE - CURRENT	0.0	0.0	0.0						
OTHER CURRENT LIABILITIES	86.1	108.4	89.2						
TOTAL CURRENT LIABILITIES	86.1	108.4	89.2						
NON-CURRENT LIABILITIES:									
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0						
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0						
OTHER NON-CURRENT LIABILITIES	38.7	24.4	2.5						
TOTAL NON-CURRENT LIABILITIES	38.7	24.4	2.5						
TOTAL LIABILITIES	124.8	132.8	91.7						
FUND EQUITY:									
CONTRIBUTED CAPITAL	0.0	0.0	0.0						
RETAINED EARNINGS	7.7	89.5	83.7						
TOTAL FUND EQUITY	7.7	89.5	83.7						
TOTAL LIABILITIES & FUND EQUITY	132.5	222.3	175.4						

Office of Administrative Hearings Organization Chart 7/1/92



Office of Administrative Hearings

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
Special Revenue	52.0	52.0
Revolving Fund	<u>25.5</u>	<u>25.5</u>
Total Permanent Positions	<u>77.5</u>	<u>77.5</u>
Employees on 6/30/92	75.0	

Employees by Employment Status:
--

	<u>6/30/92</u>
Full-Time Unlimited	73.0
Full-Time Temporary	1.0
Part-Time Unlimited	<u>1.0</u>
TOTAL	<u>75.0</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Administrative Hearings, Office of

Fund: Workers' Compensation Special

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$3,622	\$3,627	\$7,249
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$3,622	\$3,627	\$7,249
Inflation Cost Increases	127	253	380
 Agency Management Decisions			
Agency Operations:			
Hold positions vacant	\$-0-	\$(76)	\$(76)
Judge increases withheld	(104)	(104)	(208)
Delay equipment purchases	(23)	(40)	(63)
Pay reporting appearances	<u>-0-</u>	<u>(33)</u>	<u>(33)</u>
Subtotal	<u>\$(127)</u>	<u>\$(253)</u>	<u>\$(380)</u>
 TOTAL AGENCY PLAN	 \$3,622	 \$3,627	 \$7,249
 Governor's Initiatives			
Salary Planning Estimates	<u>\$(105)</u>	<u>\$(105)</u>	<u>\$(210)</u>
 GOVERNOR'S RECOMMENDATION	 <u>\$3,517</u>	 <u>\$3,522</u>	 <u>\$7,309</u>

2. Impact on Staffing:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
One judge position held vacant by attrition	1.0	1.0

3. Impact on Revenue Generation:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-

4. Affected Statutes:

None.

5. Governor's Recommendation:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

Brief Explanation of Agency's Overall Actions:

The Legislature's action to delay a 6% increase for judges which was already included in Base Level Funding makes a F.Y. 1994 increase possible at full compliment and minimizes F.Y. 1995 impact.

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Administrative Hearings, Office of

Fund: Enterprise

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$1,907	\$1,909	\$3,816
Forecast Adjustments	-0-	-0-	-0-
AGENCY BASE	\$1,907	\$1,909	\$3,816
Inflation Cost Increases	66	133	199
Agency Management Decisions			
Agency Operations:			
Additional billable hours	\$(66)	\$(66)	\$(132)
Rate increase \$3/hours	-0-	(67)	(67)
Subtotal	<u>\$(66)</u>	<u>\$(133)</u>	<u>\$(199)</u>
TOTAL AGENCY PLAN	\$1,907	\$1,909	\$3,816

2. Impact on Staffing:

None.

3. Impact on Revenue Generation:

Expect to generate more revenue through an increased number of billable hours especially in the child support enforcement area.

4. Affected Statutes:

None.

5. Governor's Recommendation:

The Governor concurs with the agency's plan.

Brief Explanation of Agency's Overall Actions:

This is a revolving fund with no appropriation, subject to rate approval by the Department of Finance each fiscal year.

AGENCY: Administrative Hearings, Office of

MISSION STATEMENT:

The mission of the Office of Administrative Hearings is to conduct fair and prompt hearings and issue decisions in the following areas:

1. Contested case and rulemaking hearings for state agencies.
2. Child support hearings in 40 Minnesota counties.
3. Workers' compensation trials.
4. A variety of hearings for political subdivisions at their request.

The office is divided into 2 program areas: the Administrative Procedure Act Division and the Workers' Compensation Division. These divisions perform the functions listed above in order to achieve the following objectives:

- to hear and issue final decisions or recommend final action in state agency rulemaking and contested case hearings in a fair, expeditious and competent manner;
- to provide an expedited process for child support enforcement hearings and decision-making;
- to adjudicate all workers' compensation cases referred to the office from the Department of Labor and Industry;
- to provide an opportunity for a timely hearing and the issuance of a decision on disputed workers' compensation claims; and
- to provide for the settlement of workers' compensation cases with a minimum of delay.

MINNESOTA MILESTONES:

The work of the office provides Minnesota's citizens and businesses with a fair and expeditious hearing process to guarantee their rights and ensure their participation in state action affecting their lives. This activity supports the Minnesota Milestones themes of:

- Ensuring that people will believe their participation in government is meaningful through the provision of a fair, impartial and competent contested case and rulemaking procedure.
- Ensuring that our children will not live in poverty through an expedited hearing process for child support enforcement.
- Ensuring that people thrown into economic hardship will regain their independence through a fair and timely workers' compensation hearing and decision process.

- By holding the hearings where the parties and the public can most conveniently attend, the process furthers the Milestones' theme that government decision-making will meet the needs of Minnesotans.

CLIMATE:

The office must be prepared to provide hearing services as needed for state agencies, political subdivisions, injured workers and their dependents, employers and their workers' compensation insurance carriers, attorneys, and other citizens of the state whose rights may be affected by state action. The demand for the office's services has been significant and requires the provision of timely hearings particularly in the areas of workers' compensation and child support enforcement. Based on historical data, the office must be prepared to assign judges to handle 400 administrative procedure act cases per year, 6,000 workers' compensation cases per year, and 8,000 child support enforcement matters per year. The caseloads in workers' compensation and child support enforcement have increased over the past few years.

AGENCY BUDGET PLAN:

The office receives no General Fund appropriation. The workers' compensation program is funded by a direct appropriation from the Special Workers' Compensation Fund and the Administrative Procedure Act program is funded through a revolving account whereby agencies and political subdivisions are billed for services performed. Resource allocation has and will continue to be made conservatively. There is a very low level of support staff with 33.5 staff supporting 44 full-time judges and 25 part-time judges. The plan is to continue to provide quality hearing services within the existing appropriation and at a competitive price. Costs will be minimized through the use of alternative dispute resolution techniques, the use of part-time administrative law judges as appropriate, and the retention of competent, knowledgeable and fair administrative law and workers' compensation judges who can perform these responsibilities in a thorough and timely manner.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATIVE HRNGS
PROGRAM: ADMINISTRTV HEARINGS

ACTIVITY RESOURCE ALLOCATION:	FY 1991			FY 1992			Est. FY 1993			FY 1994			FY 1995		
	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ADMINISTRTV HEARINGS	1,689	1,713	1,898	1,689	1,713	1,898	1,899	1,899	1,899	1,901	1,901	1,901	1,901	1,901	1,901
WORKERS COMP	3,293	3,508	3,625	3,293	3,508	3,625	3,630	3,630	3,525	3,635	3,635	3,530	3,635	3,635	3,530
TOTAL EXPENDITURES BY ACTIVITY	4,982	5,221	5,523	4,982	5,221	5,523	5,529	5,529	5,424	5,536	5,536	5,431	5,536	5,536	5,431
GOV'S INITIATIVES:	FUND														
(A) SALARY PLANNING ESTIMATES	WCS														
TOTAL GOV'S INITIATIVES	<105>														
SOURCES OF FINANCING:	FUND														
DIRECT APPROPRIATIONS:	WCS														
WORKERS COMP SPECIAL	3,288	3,458	3,617	3,288	3,458	3,617	3,622	3,622	3,517	3,627	3,627	3,522	3,627	3,627	3,522
STATUTORY APPROPRIATIONS:	WCS														
ENTERPRISE	1,694	1,763	1,906	1,694	1,763	1,906	1,907	1,907	1,907	1,909	1,909	1,909	1,909	1,909	1,909
TOTAL FINANCING	4,982	5,221	5,523	4,982	5,221	5,523	5,529	5,529	5,424	5,536	5,536	5,431	5,536	5,536	5,431
POSITIONS BY FUND:	WCS														
WORKERS COMP SPECIAL	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0
ENTERPRISE	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5
TOTAL POSITIONS	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: ADMINISTRATIVE HRNGS

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	5,523	5,523			5,523	5,523		
<u>TECHNICAL ADJUSTMENTS</u>								
DOCUMENTED RENT/LEASE INC/DEC	6	13			6	13		
SUBTOTAL TECH. ADJ.	6	13			6	13		
CURRENT SPENDING	5,529	5,536			5,529	5,536		
AGENCY BASE	5,529	5,536			5,529	5,536		

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1994-95 Biennial Budget

BUDGET ACTIVITY: Administrative Hearings
PROGRAM: Administrative Hearings
AGENCY: Administrative Hearings, Office of

ACTIVITY DESCRIPTION:

The Office of Administrative Hearings' Administrative Procedure Act is required, by statute, to conduct contested case and rulemaking hearings for the state, child support enforcement hearings for 40 Minnesota counties, and trial type hearings for political subdivisions when the subdivision requests that an administrative law judge preside.

The administrative law judges conduct all prehearing conferences and hearings, complete all necessary legal research and issue recommendations for final agency action. In cases involving OSHA, the human rights act, special education, personnel disciplinary actions, child support enforcement hearings, and certain other cases, the reports are final decisions and are appealable directly to the courts.

The hearings conducted involve the rights, duties or privileges of the state's citizens and those doing business within the state. Contested cases are typically in the areas of human rights, employee discipline, public utilities, professional licensure, securities regulations, transportation regulation and environmental quality. Recent examples include matters related to AIDS discrimination, the NSP request for a permit to store spent nuclear fuel at Prairie Island, NSP rate increase matters, the licensing of medical professionals, the St. Paul firefighters hiring practices case, and contested rulemaking proceedings in the areas of genetic engineering, aquiculture regulation, pay equity, and incinerator ash disposal.

BUDGET ISSUES:

During the biennium the activity will be responsible for conducting the above-referenced hearings as well as approximately 8,000 child support enforcement hearings in 40 Minnesota counties. In nearly all cases alternative dispute resolution is suggested and there has been considerable success in resolving many contested matters without requiring a full hearing and the resultant costs to the parties. Also, the prospect of more hearings, particularly child support matters, has resulted in the employment of qualified attorneys from local areas to serve as part-time administrative law judges. This reduces travel time and ancillary costs for clients in those areas.

EFFICIENCY MEASURES:

The office has been successful in conducting the hearings as required and issuing fair and timely decisions. The hearings conducted range in length and complexity from environmental and utility cases which require weeks of hearing to a child support matter which may be concluded in less than 1 hour.

An example of how effective an administrative adjudications process can be is in the area of child support enforcement. The activity began as a pilot project in Dakota County in 1988. In 1987, before the project began, 335 child support orders were produced and \$4.4 million in child support obligations was collected. By 1989, under the administrative process, 960 orders were produced

and \$6.8 million was collected. In 1991, 1,251 orders were issued and collections had increased to \$9.3 million. An additional 16 counties were added to the activity in 1989 and collections among all of the counties where the activity was implemented increased by 18% in 1990, and another 23% in 1991. Also, as a result of this activity District Court calendars are freed for other types of actions, and federal monetary sanctions against the Aid to Families with Dependent Children (AFDC) program are avoided.

To complete hearings and issue final decisions or recommend final action in state agency contested cases, rulemaking proceedings, child support enforcement proceedings, and hearings conducted for political subdivisions.

	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Hearings completed and reports/decisions issued	554	631	700	735	735
Average no. of days to issue report/decision after close of the record	18.5	19.5	19.5	19.5	19.5
Number of rulemaking reports	28	22	25	25	25
Approximately number of child support enforcement cases brought before ALJs	4,000	4,000	6,000	8,000	8,000
Total hours of hearings conducted by ALJs	3,031	2,788	2,900	3,100	3,100
Total report preparation hours	10,038	9,810	10,200	10,700	10,700
Total hours billed by ALJs	19,579	18,599	19,500	20,400	20,400

ACTIVITY PLAN:

The activity intends to continue to provide quality hearing services at a competitive price and with the intent of minimizing costs as indicated in the agency plan.

The office is not requesting a direct appropriation for this activity as it operates on a revolving fund. Dedicated revenue obtained through the approved rate structure will be used to cover the costs of providing the hearing services.

Since this activity is not on a direct or fixed appropriation, but rather it charges for the hourly services of employees based upon a cost recovering rate, a cut of positions or reallocation of resources will not save money for the revolving fund.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATIVE HRNGS
PROGRAM: ADMINISTRTRV HEARINGS
ACTIVITY: ADMINISTRTRV HEARINGS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,171	1,235	1,291	1,291	1,291	1,291	1,291	1,291	1,291
EXPENSES/CONTRACTUAL SRVCS	395	373	516	517	517	517	519	519	519
MISC OPERATING EXPENSES	42	35	39	39	39	39	39	39	39
SUPPLIES/MATERIALS/PARTS	23	22	19	19	19	19	19	19	19
CAPITAL EQUIPMENT	26	31	20	20	20	20	20	20	20
OTHER	32	17	13	13	13	13	13	13	13
SUBTOTAL STATE OPERATIONS	1,689	1,713	1,898	1,899	1,899	1,899	1,901	1,901	1,901
TOTAL EXPENDITURES	1,689	1,713	1,898	1,899	1,899	1,899	1,901	1,901	1,901
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
ENTERPRISE	1,689	1,713	1,898	1,899	1,899	1,899	1,901	1,901	1,901
TOTAL FINANCING	1,689	1,713	1,898	1,899	1,899	1,899	1,901	1,901	1,901
POSITIONS BY FUND:									
ENTERPRISE	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5
TOTAL POSITIONS	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5

1994-95 Biennial Budget

BUDGET ACTIVITY: Workers' Compensation
PROGRAM: Administrative Hearings
AGENCY: Administrative Hearings, Office of

ACTIVITY DESCRIPTION:

The Office of Administrative Hearings' Workers' Compensation Activity is required to conduct all workers' compensation trials for the state. Disputed workers' compensation claims which are not disposed of at the Department of Labor and Industry are referred to the Office of Administrative Hearings for trial.

Once a matter is referred to the office, the workers' compensation judges and their support staff are required to decide and issue orders granting and denying motions, issue pretrial orders, schedule and conduct pretrial hearings and settlement conferences, review all settlement agreements and issue awards on those agreements, conduct all trials and issue final decisions, award attorney fees, process all appeals and handle cases remanded from the workers' compensation court of appeals.

BUDGET ISSUES:

There has been an increase in workers' compensation cases referred to the office from the Department of Labor and Industry over the past several years. Total cases referred in F.Y. 1989 were 4,620, while total cases referred in F.Y. 1990, were 5,909. The caseload has held close to 6,000, with the F.Y. 1992 caseload being 6,217.

The office has met this increase without adding staff, and we will continue to be able to provide reasonable time frames for the conduct of hearings and issuance of decisions, provided there is no additional increase in cases.

EFFICIENCY MEASURES:

Over the past few years, the office has been successful in reducing the time which it takes to obtain a decision once a workers' compensation case has been referred to the office from the Department of labor and Industry. Today, it takes an average of 8.6 months to obtain a hearing on a claim petition. Discontinuance of benefit matters are decided within 2 months. Cases are finally decided within 32 days of the close of the record on average, and, if the matter settles, an order approving the stipulation is issued within 2.7 days of receipt of the signed stipulation by the office. These time frames have increased this fiscal year due to the heavy influx of new cases.

The objectives and effectiveness measures for the Workers' Compensation Activity are as follows:

1. To adjudicate all workers' compensation cases referred to the office from the Department of Labor and Industry.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Files received for hearing at OAH	5,786	6,217	6,200	6,200	6,200
Files disposed of by OAH	5,229	5,694	5,700	5,700	5,700

2. To provide an opportunity for a timely hearing and the issuance of a decision on a disputed workers' compensation claim.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Number of months between filing a claim petition at DOLI to hearing date	11.9	13.4	13	13	13
Number of months between receipt of claim petition at OAH and hearing date	7	8.6	8	8	8
Average number of days to issue decision on a claim petition after close of record	30	31.9	32	32	32
Average length (hours) of hearing	3.8	4	4	4	4
Number of findings and orders issued	1,503	1,446	1,500	1,500	1,500
Number of months between receipt of petition to discontinue compensation or objection to such discontinuance and final decision	2	2	2	2	2

3. To provide for the settlement of workers' compensation cases with a minimum of delay.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Number of awards issued on settlements	3,456	3,792	3,800	3,800	3,800
Average number of days from receipt of stipulation to issuance of award	3.1	2.7	2.7	2.7	2.7

ACTIVITY PLAN:

The activity intends to provide quality and timely workers' compensation proceedings and to do so within its current resource allocation. The office will continue to emphasize settlement of these matters which saves the clients both time and expense. Technological innovations have been introduced with respect to the processing of cases and a new block system of case assignment has been implemented. The office continues to cooperate with the Department of Labor and Industry on the numbers and types of cases referred to the office for hearing.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATIVE HRNGS
PROGRAM: ADMINISTRTRV HEARINGS
ACTIVITY: WORKERS COMP

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,798	2,892	3,098	3,098	3,098	2,993	3,098	3,098	2,993
EXPENSES/CONTRACTUAL SRVCS	309	373	320	325	325	325	330	330	330
MISC OPERATING EXPENSES	119	131	132	132	132	132	132	132	132
SUPPLIES/MATERIALS/PARTS	47	78	35	35	35	35	35	35	35
CAPITAL EQUIPMENT	18	34	40	40	40	40	40	40	40
OTHER	2								
SUBTOTAL STATE OPERATIONS	3,293	3,508	3,625	3,630	3,630	3,525	3,635	3,635	3,530
TOTAL EXPENDITURES	3,293	3,508	3,625	3,630	3,630	3,525	3,635	3,635	3,530
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES						<105>			<105>
TOTAL GOV'S INITIATIVES						<105>			<105>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
WORKERS COMP SPECIAL	3,288	3,458	3,617	3,622	3,622	3,517	3,627	3,627	3,522
STATUTORY APPROPRIATIONS:									
ENTERPRISE	5	50	8	8	8	8	8	8	8
TOTAL FINANCING	3,293	3,508	3,625	3,630	3,630	3,525	3,635	3,635	3,530
POSITIONS BY FUND:									
WORKERS COMP SPECIAL	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0
TOTAL POSITIONS	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0

Amateur Sports Commission, Minnesota

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	<u>7.0</u>	<u>7.0</u>
Total Permanent Positions	<u>7.0</u>	<u>7.0</u>
Other Complement (FTE)	1.0	1.0
TOTAL Positions	<u>8.0</u>	<u>8.0</u>
Employees on 6/30/92	8.0	

Employees by Employment Status:
--

	<u>6/30/92</u>
Full-Time Unlimited	7.0
Part-Time Temporary	<u>1.0</u>
TOTAL	<u>8.0</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Amateur Sports Commission (MASC)

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$446	\$446	\$892
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$446	\$446	\$892
Inflation Cost Increase	15	31	46
Agency Management Decisions			
Agency Operations:			
Reduce part-time help and agency expenses	<u>(37)</u>	<u>(53)</u>	<u>(90)</u>
TOTAL AGENCY PLAN	\$424	\$424	\$848
Governor's Initiatives			
Restore Agency Reduction	\$22	\$22	\$44
Salary Savings Estimates	<u>(10)</u>	<u>(10)</u>	<u>(20)</u>
Subtotal	<u>\$12</u>	<u>\$12</u>	<u>\$24</u>
GOVERNOR'S RECOMMENDATION	<u>\$436</u>	<u>\$436</u>	<u>\$872</u>

2. Impact on Staffing:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
None.	\$-0-	\$-0-

3. Impact on Revenue Generation:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-

4. Affected Statutes:

None.

5. Governor's Recommendation:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments: restoring reductions proposed with the agency plan for an amount of \$44,000 for the biennium; and funding has been reduced for anticipated savings due to revised salary planning estimates.

Brief Explanation of Agency's Overall

The MASC will institute a combination of 3 primary cost-cutting measures: 1) reduction of part-time staff, 2) elimination of professional services contract for fiscal services by handling work internally, 3) seeking authority to reduce printing costs by soliciting advertising.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: MN AMATEUR SPORTS COMMISSION

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) RESTORE AGENCY REDUCTION	GEN	22	22	44			
(A) SALARY PLANNING ESTIMATES	GEN	<10>	<10>	<20>			
TOTAL BY FUND	GEN	12	12	24			
TOTAL INVESTMENT INITIATIVES		12	12	24			

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1994-95 Biennial Budget

AGENCY: Amateur Sports Commission, Minnesota (MASC)

MISSION:

The purpose of the Minnesota Amateur Sports Commission (MASC) is to elevate the economic and social benefits of sport to enrich the lives of all Minnesotans.

MINNESOTA MILESTONES:

The work of the MASC relates directly to 2 of the Minnesota Milestone themes: "A Prosperous People" and "A Caring and Secure Community." The MASC supports these themes by:

- Promoting economic benefits through sport events.
- Promoting social benefits through healthy sport activity.
- Improving infrastructure through developing sport facilities.

The MASC is updating its use of indicators to measure the outcomes of its work in promoting economic and social benefits. The MASC intends to work in partnership with the Minnesota Extension Service. The purpose of this cooperation is to establish accurate and valid statistical data of past MASC activity for 1989 - 1992 in order to accurately forecast for the next quadrennium (1993-1996).

CLIMATE:

The following themes are shaping the development of MASC planning:

A Proven sport Host - Minnesota has a proven record of hosting major amateur sporting events for the period of 1989 to 1992 and is a recognized national leader. This trend can be sustained for the foreseeable future. The MASC intends to work with Minnesota organizations to sustain this economic activity.

Regular Sport and Fitness Can Control Health Costs - A comprehensive federal study health 2001 concluded that of all the remedies to control sharing health costs, the most cost effective is regular exercise. The MASC intends to continue to promote regular sport activity and fitness programs.

Aging Population - As the number of Minnesotans over the age of 65 is increasing, the MASC is establishing a Minnesota Senior Games Program with key Minnesota cities to address the sporting needs of seniors.

OBJECTIVES:

The MASC will work with the amateur sport community and facility operators to achieve targets in sport economics, sport/fitness participation and facility development. The MASC outcomes will be accomplished through these objectives.

1. **Sport Economic Benefits.**
 - a. Biddable Events - the MASC will work with amateur sport groups to attract a target of 5 national championship events to Minnesota on an annual basis.

- b. Minnesota Annual Events - the MASC will support the 10 major Minnesota annual events and will develop 2 new annual sport events per year beginning in 1993.

2. **Sport Social Benefits.**
 - a. MASC Affiliate Facilities - the MASC will support its 7 affiliate facilities to increase user numbers of these state facilities by 3% growth year.
 - b. Minnesota Amateur Sport Associations - the MASC will work to support Minnesota amateur sport associations through events, facilities and program to indirectly support a membership growth rate of 3% annually.
 - c. Star of the North State Games - the MASC will maintain a participant rate of 12,000 per year in the summer and winter state games.

3. **Sport Facilities.**

The MASC will continue to oversee the master plan of the state's major amateur sport facility inventory: support the quality maintenance of current facilities; investigate and plan the development of new facilities.

OUTCOMES:

The purpose of the MASC is to elevate the economic and social benefits of sport in order to enrich the lives of all Minnesotans.

Economic - To support sport economic activity in order to sustain an annual economic impact of \$20,000,000 (\$10,000,000 MASC facilities and \$10,000,000 other Minnesota facilities).

Social - To support sport program activity in order to allow growth in amateur sport participation by 3% per year; 1,000,000 amateur sport facility system and a 3% growth rate in the 1.5 million Minnesota amateur sport association participants.

AGENCY BUDGET PLAN:

1. **Raise Private Resources.** Based on the MASC's mission, established tradition in hosting sporting events and programs, and climate, the agency has formulated a budget plan. This strategic plan incorporates the base reductions while providing for anticipated increases in personnel salaries. The MASC intends to offer the same level of services with less resources by raising the level of private resources for MASC programs. The MASC will accomplish this by: 1) increasing private sponsors of MASC events, programs and facilities, and 2) incorporating private advertising in MASC publications.
2. **Reduce Part-Time Staff.** the MASC will reduce its use of part-time staff from its current \$27,000 in 1993 to \$22,000 in 1994 and \$15,000 in 1995.
3. **Revised MASC Statute.** The MASC will be required to change its statute in order to authorize and secure private advertising in its publications.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: restoring reductions proposed with the agency plan for an amount of \$44,000 for the biennium; and funding has been reduced for anticipated savings due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MN AMATEUR SPORTS COMMISSION
PROGRAM: AMATEUR SPORTS COMMISSION
ACTIVITY: AMATEUR SPORTS COMMISSION

ACTIVITY SUMMARY	FY 1993			FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	294	309	315	317	295	307	317	302	307
EXPENSES/CONTRACTUAL SRVCS	98	69	72	72	72	72	72	65	72
MISC OPERATING EXPENSES	26	37	35	35	35	35	35	35	35
SUPPLIES/MATERIALS/PARTS	57	10	10	10	10	10	10	10	10
CAPITAL EQUIPMENT	11	25	13	13	13	13	13	13	13
OTHER	41								
SUBTOTAL STATE OPERATIONS	527	450	445	447	425	437	447	425	437
LOCAL ASSISTANCE	33								
TOTAL EXPENDITURES	560	450	445	447	425	437	447	425	437
GOV'S INITIATIVES:									
			FUND						
(A) RESTORE AGENCY REDUCTION			GEN			22			22
(A) SALARY PLANNING ESTIMATES			GEN			<10>			<10>
TOTAL GOV'S INITIATIVES						12			12
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	443	446	444	446	424	436	446	424	436
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS	117	4	1	1	1	1	1	1	1
TOTAL FINANCING	560	450	445	447	425	437	447	425	437

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MN AMATEUR SPORTS COMMISSION
 PROGRAM: AMATEUR SPORTS COMMISSION
 ACTIVITY: AMATEUR SPORTS COMMISSION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
POSITIONS BY FUND:									

GENERAL	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: MN AMATEUR SPORTS COMMISSION

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95
F.Y. 93 FUNDING LEVEL	445	445	444	444	1	1		
<u>TECHNICAL ADJUSTMENTS</u>								
INSURANCE PREMIUM HOLIDAY	2	2	2	2				
SUBTOTAL TECH. ADJ.	2	2	2	2				
CURRENT SPENDING	447	447	446	446	1	1		
AGENCY BASE	447	447	446	446	1	1		

Capitol Area Architectural and Planning Board

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	<u>5.0</u>	<u>5.0</u>
Total Permanent Positions	<u>5.0</u>	<u>5.0</u>
Other Complement (FTE)	1.0	1.0
TOTAL Positions	<u>6.0</u>	<u>6.0</u>
Employees on 6/30/92	6.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	5.0
Full-Time Temporary	<u>1.0</u>
TOTAL	6.0

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Capitol Area Architectural and Planning Board (CAAPB)

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$258	\$259	\$517
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$258	\$259	\$517
Inflation Cost Increase	7	15	22
Agency Management Decisions			
Agency Operations:			
Operations Expenses	<u>(19)</u>	<u>(27)</u>	<u>(46)</u>
TOTAL AGENCY PLAN	\$246	\$247	\$493
Governor's Initiatives			
Restore Agency Reduction	\$12	\$12	\$24
Salary Planning Estimates	<u>(7)</u>	<u>(7)</u>	<u>(14)</u>
Subtotal	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$10</u>
GOVERNOR'S RECOMMENDATION	<u>\$251</u>	<u>\$252</u>	<u>\$503</u>

2. Impact on Staffing: F.Y. 1994 F.Y. 1995
None. 0.0 0.0

3. Impact on Revenue Generation: F.Y. 1994 F.Y. 1995 F.Y. 94-95
Agency Plan \$-0- \$-0- \$-0-

4. Affected Statutes:
None.

5. Governor's Recommendation

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments: restoring reductions proposed with the agency plan for an amount of \$24,000 for the biennium; and a reduction of funding due to revised salary planning estimates.

Brief Explanation of Agency's Overall Actions:

We will achieve this level of reduced expenditure by the following: increasing our reliance on the 1991 enactment allowing us to charge other agencies for our design review and planning, no cash compensation for overtime and reduction of travel and consultant services as requested.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: CAPTL AREA ARCH/PLNG

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) SALARY PLANNING ESTIMATES	GEN	<7>	<7>	<14>			
(B) RESTORE AGENCY REDUCTION	GEN	12	12	24			
TOTAL BY FUND	GEN	5	5	10			
TOTAL INVESTMENT INITIATIVES		5	5	10			

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1994-95 Biennial Budget

AGENCY: Capitol Area Architectural and Planning Board (CAAPB)

MISSION STATEMENT:

To preserve and enhance the Capitol Area's unique aesthetic and historic character, and to plan and guide its future by developing and maintaining a framework for its physical growth.

As the planning and regulatory agency responsible for architectural design and long-range planning for the Capitol Area, the CAAPB has exclusive zoning jurisdiction and design review over both the state government complex and the surrounding commercial and residential neighborhoods.

In overseeing and coordinating development in the Capitol Area, the CAAPB is in a unique position to work closely with many state agencies, especially the Departments of Administration and Transportation; the City of St. Paul; planning district and neighborhood development groups, and with architects and developers from the private sector.

MINNESOTA MILESTONES:

The board's mission plans a role in creating a safe, friendly, and caring community, a Milestone goal which we achieve by actively cooperating with St. Paul in its Capital City strategies and by fostering design to improve public safety. In addition we strive to increase participation in the cultural and recreational life of the Minnesota community by encouraging and providing for public access and use of the Capitol Building and grounds, a prime state civic and cultural resource. In our freeway and rapid transit efforts, we also attempt to ensure that the Capitol Area achieves its maximum importance and accessibility.

CLIMATE:

As overseer of Capitol Area development, CAAPB's responsibility for public projects begins with site selection and sponsorship of architectural design completions and continues through all phases of design and construction. Five major design competitions have been conducted since 1985 (for the Judicial Building, Capitol Mall, History Center, State Office Building parking ramp, Minnesota Vietnam Veterans Memorial); of these, the State Office Building (SOB) ramp, History Center, the first phase I of the Judicial Building, and Minnesota Vietnam Veterans Memorial have been completed.

Our services focus on that which we traditionally do best: good design, thorough and coordinated planning, and achieving more bang for the public buck, whether it be federal, state, or city. Because the board is composed of gubernatorial, legislative, and city appointees, we often are in a position to coordinate and leverage public improvements in a cost-effective and result-orientated manner: for example, the State Office Building Parking ramp and the I-94 freeway improvements. Our time frame is long-range.

AGENCY BUDGET PLAN:

CAAPB's increased level of responsibility and overall workload has outpaced its BASE budget for several years. The 1990 legislature cut the agency's second-year BASE by \$13,000. This cut has imperiled agency effectiveness in terms of its ability to meet an increasing demand for services. This previous budget cut has increased the workload for current staff because it prevents hiring temporary employees for overload periods as well as overtime pay for present employees.

Besides paying salaries for its complement employees (the executive secretary, 2 planners, 2 clerical support staff), the BASE budget buys the required advice of a committee composed of 3 design professionals. Since this committee is required to review all architectural and planning matters in the Capitol Area, its functioning is often contingent upon others outside the control of the CAAPB. This has had significant consequences for the board's operations, resulting at times in the agency not having enough remaining resources to achieve its primary goal of long-range planning.

The CAAPB sees no possibility of cutting services without disregarding some of our its statutorily-defined responsibilities for the Capitol Area planning and development. Plan review for projects in the Capitol Area is mandatory.

Our budget plan assumes increased reliance upon a 1991 capital budget reform which allows us to charge other public agencies for our required design review and planning.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments: restoring reductions proposed with the agency plan for an amount of \$24,000 for the biennium; and a reduction of funding due to revised salary estimates.

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CAPTL AREA ARCH/PLNG
PROGRAM: CAPTL ARCH/PLAN COMM
ACTIVITY: CAPTL ARCH/PLAN COMM

ACTIVITY SUMMARY	FY 1994			FY 1995					
	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.		
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	194	198	210	206	206	199	206	206	199
EXPENSES/CONTRACTUAL SRVCS	28	24	34	56	44	56	57	45	57
MISC OPERATING EXPENSES	9	10	8	8	8	8	8	8	8
SUPPLIES/MATERIALS/PARTS	6	3	3	3	3	3	3	3	3
CAPITAL EQUIPMENT	3								
SUBTOTAL STATE OPERATIONS	240	235	255	273	261	266	274	262	267
TOTAL EXPENDITURES	240	235	255	273	261	266	274	262	267
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<7>			<7>
(B) RESTORE AGENCY REDUCTION			GEN			12			12
TOTAL GOV'S INITIATIVES						5			5
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	239	233	240	258	246	251	259	247	252
STATUTORY APPROPRIATIONS:									
GENERAL		2	15	15	15	15	15	15	15
GIFTS AND DEPOSITS	1								
TOTAL FINANCING	240	235	255	273	261	266	274	262	267
POSITIONS BY FUND:									
GENERAL	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CAPTL AREA ARCH/PLNG
PROGRAM: CAPTL ARCH/PLAN COMM
ACTIVITY: CAPTL ARCH/PLAN COMM

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: CAPTL AREA ARCH/PLNG

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	255	255	255	255				
TECHNICAL ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<5>	<5>	<5>	<5>				
BASE TRANSFER (BTWN AGENCIES)	22	22	22	22				
DOCUMENTED RENT/LEASE INC/DEC		1		1				
INSURANCE PREMIUM HOLIDAY	1	1	1	1				
SUBTOTAL TECH. ADJ.	18	19	18	19				
CURRENT SPENDING	273	274	273	274				
AGENCY BASE	273	274	273	274				

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1994-95 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF

PROGRAM

PAGE

HUMAN RESOURCE MANAGEMENT

E-162

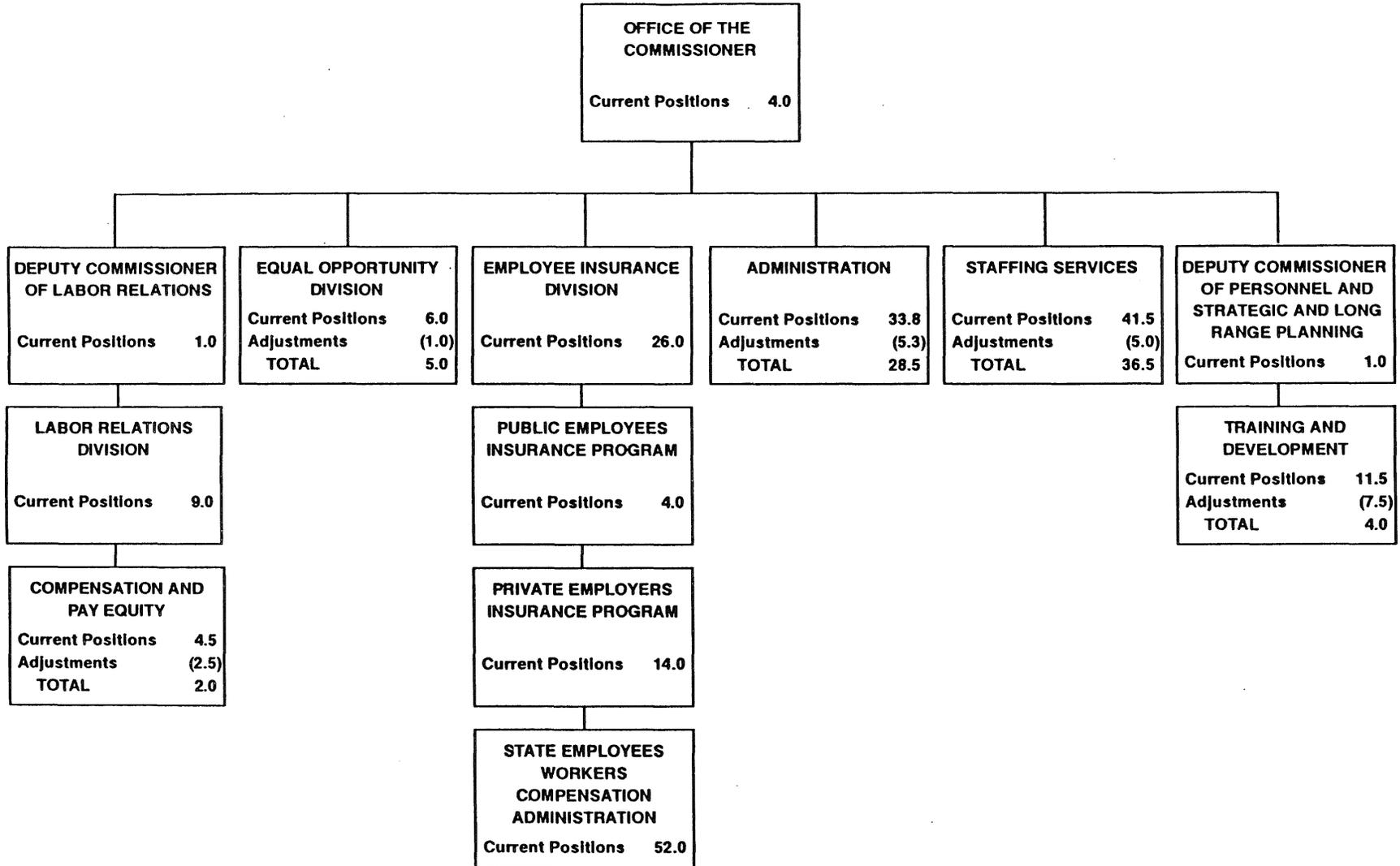
**Administration
Equal Opportunity
Labor Relations and Compensation
Staffing Services
Training and Development**

EMPLOYEE INSURANCE

E-179

**State Group Insurance
Public Employees Insurance
Private Employers Insurance
State Workers' Compensation**

Department of Employee Relations Organization Chart as of 7/1/92



Department of Employee Relations

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	111.0	91.0
Special Revenue	54.5	53.0
Insurance Trust Fund	29.0	29.0
Health Access Fund	<u>14.0</u>	<u>14.0</u>
Total Permanent Positions	<u>208.5</u>	<u>187.0</u>
TOTAL Positions	<u>208.5</u>	<u>187.0</u>
Employees on 6/30/92	179.0	

Employees by Employment Status:
--

	<u>6/30/92</u>
Full-Time Unlimited	173.0
Full-Time Temporary	11.0
Part-Time Unlimited	14.0
Part-Time Temporary	3.0
Unlimited Intermittent	<u>4.0</u>
TOTAL	<u>205.0</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Employee Relations, Department of

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$8,051	\$7,932	\$15,983
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$8,051	\$7,932	\$15,983
Projected Cost Increases	247	390	637
Agency Management Decisions			
4 positions in the Administration Division eliminated due to improved computer reporting system/streamlining processes.	\$(62)	\$(113) \$(136)	\$(175) \$(198)
Restructure of EOD to focus on consultation and assistance. Results in elimination of 1 position.	(35)	(28)	(63)
Combining similar functions within Compensation and Labor Relations results in a reduction of 1.5 positions. Pay-Equity enforcement function delegated to local governments eliminates 1 pos. in 2nd yr.	(11)	(75) (26)	(86) (37)
Delegation of accountability for recruitment, selection, and classification to operating agencies - reduce 5 pos.'s in Staffing Div.	(164)	(131) (154)	(295) (318)
Refocus of the Training Activity to facilitation, coordination, and curriculum development permits reducing 7.5 positions.	<u>(302)</u>	(268) (371)	(670) (673)
Subtotal	<u>\$(574)</u>	<u>\$(715)</u>	<u>\$(1,289)</u>
		\$(659)	\$(1,233)
TOTAL AGENCY PLAN	\$7,724	\$7,606	\$15,330
		<u>\$7,662</u>	<u>\$15,387</u>
Governor's Initiative			
<u>WCRA Premium Credit</u>	<u>(1,416)</u>	<u>(1,304)</u>	<u>(2,720)</u>
CORE Human Resource Reform Implementation	\$850	\$850	\$1,700
Salary Planning Estimates	<u>(155)</u>	<u>(159)</u>	<u>(314)</u>
Subtotal	<u>\$695</u>	<u>\$691</u>	<u>\$1,386</u>
	<u>\$(721)</u>	<u>\$(613)</u>	<u>\$(1,334)</u>
GOVERNOR'S RECOMMENDATION	<u>\$8,419</u>	<u>\$8,297</u>	<u>\$16,716</u>
	<u>\$7,003</u>	<u>\$7,050</u>	<u>\$14,053</u>
		<u>\$6,993</u>	<u>\$13,996</u>

Brief Explanation of Agency's Overall Actions:

The agency is restructuring pursuant to internal strategic planning and recommendations from the Commission on Reform and Efficiency (CORE). These changes support our mission of leadership and partnership with our customers. Our goal for the next biennium is to effect improvements that result in efficient and quality services coupled with increased flexibility and responsiveness to our customer's needs. Success of these changes will be measured by actual outcomes rather than the processes performed.

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	
2. Impact on Staffing:			
Positions left Vacant (not funded)	(5.0)	(5.0)	
Positions Eliminated	(11.5)	(15.0)	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
3. Impact on Revenue Generation:			
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-
4. Affected Statutes:			
None.			
5. Governor's Recommendation:			
The Governor recommends funding levels as requested in the agency plan with the following adjustments: \$1,700,000 to fund implementation of the CORE Human Resource Management Report recommendations regarding reform of the state civil service system; a reduction of \$314,000 to reflect revised salary planning estimates; <u>a reduction of \$2,720,000 to reflect savings due to a refund from the Workers Compensation Reinsurance Association.</u>			

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Employee Relations, Department of

Fund: Trust Fund (Public Employees
Insurance Administration)

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$470	\$470	\$940
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
PROGRAM BASE	\$470	\$470	\$940
Projected Cost Increases	13	20	33
Agency Management Decisions Improvements to increase enrollment, and reduce expenditures for consultant services and other non- personnel expenditures will manage the increased costs.	<u>\$(13)</u>	<u>\$(20)</u>	<u>\$(33)</u>
TOTAL AGENCY PLAN	\$470	\$470	\$940
GOVERNOR'S RECOMMENDATION	<u>\$470</u>	<u>\$470</u>	<u>\$940</u>

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
2. Impact on Staffing:		
None.	0.0	0.0

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
3. Impact on Revenue Generation:			
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-

4. Affected Statutes:
None.

5. Governor's Recommendation:
The Governor recommends funding levels as requested in the agency plan.

Brief Explanation of Agency's Overall Actions:

The agency will restructure and improve the activity's health insurance options by building on the successful model of the state group insurance program. Under this model, the agency will contract with the best available managed-care health plans, allowing participating units of local government to give employees a choice of plans that compete on the basis of price and quality.

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Employee Relations, Department of

Fund: Special Revenue (State Workers'
Compensation Administration)

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>		<u>F.Y. 1994</u>	<u>F.Y. 1995</u>		<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING LEVEL	\$4,281	\$4,169	\$8,450	2. Impact on Staffing:						
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	None.	0.0	0.0				
PROGRAM BASE	\$4,281	\$4,169	\$8,450	3. Impact on Revenue Generation:				<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
Projected Cost Increase	81	167	248	<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-			
Agency Management Decisions				4. Affected Statutes:						
Agency Operations:				None.						
Reduced reliance on contracted services for system support and project help.	\$(81)	\$(17)	\$(98)	5. Governor's Recommendation						
Computer System Loan Repayment	<u>-0-</u>	<u>(150)</u>	<u>(150)</u>	The Governor recommends funding levels as requested in the agency plan.						
Subtotal	<u>\$(81)</u>	<u>\$(167)</u>	<u>\$(248)</u>							
TOTAL AGENCY PLAN	\$4,281	\$4,169	\$8,450							
GOVERNOR'S RECOMMENDATION	<u>\$4,281</u>	<u>\$4,169</u>	<u>\$8,450</u>							

Brief Explanation of Agency's Overall Actions:

Agency's actions reflect a concerted effort to meet budgetary realities with the least possible impact on the services we provide to agencies.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS, DPT

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) NCRA PREMIUM CREDIT	GEN	<1,416>	<1,304>	<2,720>			
(A) SALARY PLANNING ESTIMATES	GEN	<155>	<159>	<314>			
(P) CORE HUMAN RESOURCES MGMT PROJECT	GEN	850	850	1,700			
TOTAL BY FUND	GEN	<721>	<613>	<1,334>			
TOTAL INVESTMENT INITIATIVES		<721>	<613>	<1,334>			

1994-95 Biennial Budget

AGENCY: Employee Relations, Department of (DOER)

MISSION STATEMENT:

The mission of the Department of Employee Relations is to provide leadership and partnership in Human Resource Management.

The department pursues this mission by providing a continuum of services to our customers in the areas of employee selection, job classification, affirmative action, labor relations, training and development, employee compensation, health and safety, personnel information processing and reporting, insurance, and workers' compensation. Our primary customers include both the executive branch management as a single employer and each state agency within the executive branch.

The department is organized into 2 programmatic areas: Human Resource Management and Employee Insurance. To achieve our mission we have identified the following objectives:

1. provide policy leadership and direction for human resource management.
2. create a diverse workforce and a discrimination and harassment free work environment.
3. provide fair and flexible employment processes which assist state managers to attract and maintain a qualified workforce.
4. maximize the productivity of the state's workforce by assuring that opportunities are available for professional and organizational development.
5. ensure a quality workforce by providing cost effective, competitive and equitable compensation and insurance benefits.
6. ensure that state employees work in a safe and healthy environment and minimize work-related injuries and illness.
7. promote effective management and positive labor-management relations, in a unionized work environment.

MINNESOTA MILESTONES:

The Department of Employee Relations supports the major milestone themes "A Caring and Secure Community" and "We the People." The agency contributes to these themes by:

- providing programs to assist agencies in eliminating discrimination and harassment in the workplace.
- assisting in the recruitment, hiring, and retention of a qualified workforce to meet the public demand for fast and efficient services.
- implementing policies and programs targeted at increasing the representation of protected group members in the state's workforce.

Leading role among state agencies. Employee Relations' as the state's employer, takes a lead role in contributing to these milestones. It is our role to provide state managers and supervisors a framework that allows for flexibility and delegation of recruitment and hiring authority; uniform guidelines for effectively handling complaints; education of the workforce to recognize and respect differences; and development of trainee and internship programs to provide for retraining and retention of a diverse workforce.

The continual changes in our environment such as the graying and diversification of the state's labor force, declining tax resources, increased unemployment, and citizens' demands for fast, flexible, and quality services, challenge us to meet these needs through new initiatives and reforms of our current systems and practices.

Supporting role among state agencies. The department plays a supporting role among state agencies in a number of areas. In our capacity as the central human resource office, we provide assistance with the state payroll by maintaining personnel data on all state employees that drives the production of paychecks, we feed information into the biennial budget system and generate statistical information for state agencies and the legislature. We also provide agencies the information on unemployment, census, and workforce make-up which they use in the affirmative action goal setting process to determine workforce under-representation. In addition, we provide contract interpretation and training, handle grievances and negotiate labor contracts with unions. This department also provides for a managed health care initiative which includes prevention programs in the areas of health, wellness and safety.

CLIMATE:

The following factors are shaping the future for the Department of Employee Relations.

1. **Increased Cultural Diversity.** During the past 10 years the makeup of Minnesota's population has changed dramatically. Since 1980 there has been a 60% increase in workforce age minorities. The state's workforce is not reflective of this change. Employee Relations needs to develop and implement new recruitment, hiring, training and development programs to attract and retain minorities to have a workforce representative of our labor force.
2. **Recruiting and Retaining Quality Staff.** As executive branch agencies respond to the demands of citizens for faster, more effective services with declining resources it is becoming increasingly critical to have a well qualified workforce to achieve their missions. Employee Relations and the Commission on Reform and Efficiencies (CORE) have identified needs for improvements in human resource management services to increase management and employee performance, better respond to training and development needs, improve recruitment and hiring mechanisms, through redesign of our programs and service delivery systems, and working cooperatively with stakeholders, such as managers and supervisors, exclusive representatives of employees, applicant advocacy groups, legislators, and legislative staff and agency personnel office staff.
3. **State Workers' Compensation Costs.** The cost of providing health care to injured state employees is significantly higher than the cost of health care provided through employee plans, and there is no managed care. Further, the cost of injuries and illnesses resulting from improper work station design, environmental exposures, communicable diseases and occupational stresses are estimated at \$23 million per year. In an effort to respond to these factors, Employee Relations has combined the management of our benefits and workers' compensation divisions to develop and implement a managed care program for state workers.

1994-95 Biennial Budget

AGENCY: Employee Relations, Department of (DOER)
(Continuation)

4. **User Friendly Down-sizing Strategies.** Potential government down-sizing due to the budget shortfall and further shifts to a service-based economy may require new roles and new types of government workers. Effective approaches, systems and methods are required to prepare employees for possible changes in their work and duties. Emphasis will be needed on retraining employees; assisting employees with translating their experience and skills into marketable resumes and assisting state managers in transition management. We must work effectively with exclusive representatives of state employees to deal with the impact of any down-sizing.
5. **Rising Health Care Costs.** The costs for providing health care to state employees has a major impact on the state's budget. During the past year insurance rates have risen due to higher medical care costs, increased utilization, and costly new medical procedures. These increases have a substantial impact on our collective bargaining process since health insurance premiums are consuming a larger share of compensation costs.

The above factors will have a direct impact on our activities in the labor relations, benefits and compensation activities in the upcoming biennium.

AGENCY BUDGET PLAN:

During the next biennium, DOER will be moving toward increased coordination, consulting and assistance services to operating agencies and away from monitoring and control. These changes are reflected in a decrease in staffing levels in the training, staffing, compensation, administration, and equal opportunity activities. Based on data gathered in our strategic planning process conducted in 1991 and the 1992 CORE study of the human resource system, we are changing the direction and goals of these activities.

Reduction of 1.0 position in equal opportunity results from refocusing the roles and responsibilities of this activity. The new role is to provide guidance to agencies in meeting their affirmative action objectives and to develop policies and programs which provide assistance with their goal-setting activities.

The training activity will be reduced by 5.0 positions. The new focus of this activity will be facilitation and coordination of state training and development of curriculum for training on state policies. Direct training will be provided on a self-supporting basis through the revolving fund. Classroom training by DOER which is duplicated by state agencies will be replaced by a curriculum development and review process; services will be provided pursuant to a thorough needs assessment.

The staff reductions in the staffing activity result from consideration of the preliminary CORE recommendations on hiring to increase delegation of position hiring and classification responsibilities to operating agencies. The recommendations change the department's role to one of providing training, education and advisory services. This activity will be reduced by 5 positions.

The labor relations and compensation activities will be reduced by 2.5 positions over the biennium. These reductions are based on combining similar functions with the Labor Relations activity for a more efficient organization of work and moving information services responsibilities into our Management Information Services Unit. In addition, the Pay Equity enforcement function will be eliminated in the second year after completion of our initial phase of reporting and compliance.

Reductions of 4.0 positions in the administration activity result from anticipated reorganization, use of improved computer reporting systems for accounting and personnel information and elimination of duplicate recordkeeping and manual processes.

OUTCOMES:

Success of these changes will be determined by customer satisfaction with our services. We will survey our customers to determine whether services are timely and effective, and to identify ways through which we might better meet their needs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency plan with the following adjustments: \$1,700,000 to fund implementation of the CORE Human Resource Management Report recommendations regarding reform of the state civil service system; a reduction of \$314,000 to reflect revised salary planning estimates; a reduction of \$2,270,000 to reflect savings from the recently voted refund to members by the Workers' Compensation Reinsurance Association.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT

PROGRAM RESOURCE ALLOCATION:				FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
HUMAN RESOURCE MANAGEMENT	9,055	6,574	7,178	7,207	6,555	7,250	7,200	6,549	7,240
EMPLOYEE INSURANCE	190,977	206,450	216,121	214,930	247,742	246,326	214,818	298,089	296,785
TOTAL EXPENDITURES BY PROGRAM	200,032	213,024	223,299	222,137	254,297	253,576	222,018	304,638	304,025
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	9,903	7,932	8,890	8,051	7,724	7,003	7,932	7,606	6,993
HEALTH CARE ACCESS					3,554	3,554		7,125	7,125
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	23,631	25,274	26,662	26,316	25,668	25,668	26,316	27,656	27,656
EMPLOYER INSURANCE TRUST			1,679	1,679	7,780	7,780	1,679	23,841	23,841
EMPLOYEE INS TRUST	162,648	176,125	181,136	181,159	203,933	203,933	181,159	232,487	232,487
AGENCY	3,850	3,693	4,932	4,932	5,638	5,638	4,932	5,923	5,923
TOTAL FINANCING	200,032	213,024	223,299	222,137	254,297	253,576	222,018	304,638	304,025
POSITIONS BY FUND:									
GENERAL	112.0	111.0	111.0	111.0	94.5	98.0	111.0	91.0	94.5
SPECIAL REVENUE	46.0	50.8	54.3	53.0	53.0	53.0	53.0	53.0	53.0
EMPLOYER INSURANCE TRUST			14.0	14.0	14.0	14.0	14.0	14.0	14.0
EMPLOYEE INS TRUST	17.5	29.3	29.0	29.0	29.0	29.0	29.0	29.0	29.0
TOTAL POSITIONS	175.5	191.1	208.3	207.0	190.5	194.0	207.0	187.0	190.5

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: EMPLOYEE RELTNS,DPT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	223,299	223,299	8,890	8,890	214,409	214,409		
TECHNICAL ADJUSTMENTS								
NON-RECURRING EXPENDITURES	<1,243>	<1,355>	<868>	<980>	<375>	<375>		
DOCUMENTED RENT/LEASE INC/DEC	153	147	120	114	33	33		
INSURANCE PREMIUM HOLIDAY	31	31	20	20	11	11		
PLANT MANAGEMENT REBATES	31	31	23	23	8	8		
1992 SESSION REDUCTIONS	<134>	<135>	<134>	<135>				
SUBTOTAL TECH. ADJ.	<1,162>	<1,281>	<839>	<958>	<323>	<323>		
CURRENT SPENDING	222,137	222,018	8,051	7,932	214,086	214,086		
FORECAST ADJUSTMENTS								
ANNUALIZING NEW PROG COSTS	20,021	50,565			20,021	50,565		
DED STAT APPROP SPENDING	12,466	32,381			12,466	32,381		
SUBTOTAL FORECAST ADJ.	32,487	82,946			32,487	82,946		
AGENCY BASE	254,624	304,964	8,051	7,932	246,573	297,032		

1994-95 Biennial Budget

PROGRAM: Human Resource Management
AGENCY: Employee Relations, Department of (DOER)

PROGRAM PURPOSE:

The Human Resource Management program exists to provide the executive branch managers and supervisors a comprehensive program to meet their needs. This program includes the following activities: 1) Administration, 2) Equal Opportunity, 3) Staffing, 4) Labor Relations and Compensation, and 5) Training and Development.

The program provides services which include providing public information concerning state hiring practices and job opportunities; tracking workforce and labor force trends; developing policies and procedures to implement quality human resource programs; recruiting, screening and referring qualified applicants to fill vacancies; curriculum developing or brokering services to train employees in job and workforce policies and skills; providing affirmative action and non-discrimination policies and providing programs; a classification framework as a means of determining equitable compensation; and negotiating and administering labor-management contracts.

The primary focus of this program is to ensure that executive branch agencies are provided fair and effective human resource management services to meet their needs for a qualified, effective and diverse workforce.

PROSPECTS:

■ **Labor-Management Relationships**

The ability to maintain the kind of positive labor-management relationships developed thus far and to continue to make even further progress in this area will require: successful biennial contract negotiations for F.Y. 1994-95; creation of additional joint labor-management cooperation projects; continued coordination among executive branch agencies on contract administration practices and working with unions to build support to successfully make changes resulting from the Commission on Reform and Efficiencies (CORE) recommendations.

■ **Representative Workforce**

Increased representation of protected group members in the state's workforce will be a challenge in the upcoming biennium. The anticipated reduction of staffing levels and limited recruitment for specialized positions require us to take the lead and meet those challenges. Several of these can be met through establishment of recruitment programs that target disadvantaged individuals; specific trainee programs which give these individuals an opportunity to learn on the job and qualify for permanent state positions and increased training and development opportunities for protected group members to ensure retention of a representative workforce.

■ **Increased Hiring Flexibility**

Increased delegation of authority and accountability for recruitment and selection activities to hiring managers and supervisors should increase flexibility and speed-up the hiring process. The

staffing activity will shift from direct service to an emphasis on training, education and consultation to managers and supervisors exercising their new hiring authorities.

■ **Service to Agencies**

Throughout our strategic planning process and the CORE review of the human resource function, our clients indicated that they want to see changes in the mix and delivery of services provided by the Department of Employee Relations. We have reacted to these expressed needs by working to improve communication of policies and procedures; increasing flexibility and efficiencies in our activities; and decreasing control and increasing delegation to enhance our role as an advisor to management for improved human resource management overall.

OUTCOMES:

1. Representation of protected group members in the workforce are reflective of the state's labor force.
2. Compensation is competitive with comparable employers.
3. Customer satisfaction with our services.

OBJECTIVES:

1. To increase delegation and shift accountability for outcomes of recruitment, examining, classification and hiring to state managers and supervisors.
2. To increase assistance in consultation, goal-setting, and affirmative action plan objectives and reduce monitoring and control over agency's efforts to hire protected group members.
3. To provide coordination and assistance to operating agencies on course design and delivery of training services and eliminate delivery of non-mandated training courses.
4. To maintain a cooperative relationship with labor to promote/facilitate stable and positive labor-management relationships. Increase coordination of the labor relations and compensation activities and eliminate duplicate functions. Delegate monitoring for local government pay equity to local governments.
5. To increase overall policy direction to operating agencies and improve communication and management of the human resource function. Eliminate repetitive processes, improve computerization of personnel information and delegate more activities to operating agencies.

PROGRAM PLAN:

Our program plan encompasses a number of changes, some of which have already occurred or are currently underway. After we began our strategic planning process in 1991, we proceeded to implement many of the recommended changes. We developed our agency mission and values statement, established a communications task force and began implementing recommendations to improve our internal and external communications, and we began the process to evaluate our civil service system.

1994-95 Biennial Budget

PROGRAM: Human Resource Management
AGENCY: Employee Relations, Department of (DOER)
(Continuation)

Evaluation of the civil service system was also an objective of CORE, so by working jointly with them and receiving input from our customers, we have begun to develop a plan for changing our current practices. Our future plans are:

1. To implement changes to current practices and policies to increase system flexibility for managers and supervisors.
2. To empower managers and supervisors with more options, authority and accountability in the areas of recruitment, selection and classification.
3. To improve labor-management relations for an effective collective bargaining process.
4. To emphasize coaching and assistance, reduce monitoring and control and work toward a cooperative relationship with our clients.
5. To conduct needs assessments for some of our activities and develop ways to evaluate customer satisfaction with our program changes.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency plan with the following adjustments: \$1,700,000 to fund implementation of the CORE Human Resource Management Report recommendations regarding reform of the state civil service system; a reduction of \$293,000 to reflect revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: HUMAN RESOURCE MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ADMINISTRATION	3,045	2,488	2,588	2,738	2,783	2,722	2,732	2,778	2,717
EQUAL OPPORTUNITY	290	272	266	267	241	234	267	255	248
LABOR RELATIONS AND COMPENSATION	687	678	732	735	753	732	735	707	686
STAFFING SERVICES	3,779	2,235	2,312	2,225	2,151	2,941	2,224	2,235	3,022
TRAINING AND DEVELOPMENT	1,230	807	847	809	627	621	809	574	567
HUMAN RESOURCE MGMT NON OPERAT'G	24	94	433	433			433		
TOTAL EXPENDITURES BY ACTIVITY	9,055	6,574	7,178	7,207	6,555	7,250	7,200	6,549	7,240
GOV'S INITIATIVES:			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<155>			<159>
(P) CORE HUMAN RESOURCES MGMT PROJECT			GEN			850			850
TOTAL GOV'S INITIATIVES						695			691
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	7,926	6,219	6,502	6,531	6,204	6,899	6,524	6,198	6,889
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	459	260	242	242	350	350	242	350	350
AGENCY	670	95	434	434	1	1	434	1	1
TOTAL FINANCING	9,055	6,574	7,178	7,207	6,555	7,250	7,200	6,549	7,240
POSITIONS BY FUND:									
GENERAL	110.5	111.0	111.0	111.0	94.5	98.0	111.0	91.0	94.5
SPECIAL REVENUE	2.0	1.3	1.3	.0	.0	.0	.0	.0	.0
TOTAL POSITIONS	112.5	112.3	112.3	111.0	94.5	98.0	111.0	91.0	94.5

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Employee Relations, Department of
PROGRAM: Human Resources (HR) Management Project
ACTIVITY: State-wide HR System Design and Implementation

ITEM TITLE: Human Resources System Project

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Expenditures: (\$000s)				
General Fund				
- State Operations	\$850	\$850	\$950	\$450

Statutory Change? Yes _____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor proposes to reform the state civil service system, adopting recommendations made recently by the Commission of Reform and Efficiency (CORE). A biennial appropriation of \$1,700,000 will fund redesign and implementation costs in four functional areas identified by the CORE Human Resource Management Project:

- Hiring and Deployment
- Training and Development
- Classification and Compensation
- Performance Management

PROGRAM OUTCOMES:

The essential element needed to deliver quality services to the citizens of Minnesota is a skilled and effective workforce. However, the current civil service system covering 40 executive branch employees is in stasis. While the nature of government services, programs and delivery systems have changed considerably, the current state civil service structure has remained relatively fixed for over 20 years.

Defining the Problem

State government supports no overall workforce planning process. There is minimal agency strategic workforce planning, and management systems neither genuinely assess nor project future workforce requirements.

Current methods of recruitment and selection do not meet the needs of managers or state programs. Position vacancies are advertised and exams are given for whole job classes while managers and supervisors need candidates who are qualified for a specific job. The lengthy process often does not produce candidates who fit the job requirements.

Compensation strategies are not tied to performance management and employee development. Annual performance appraisals are often forgotten, poorly done, and/or are not linked to the intended organizational outcomes. Performance generally doesn't affect base pay. Other types of "rewards", such as education or team awards, are not supported or allowed. Compensation practices and rates ignore the external job market.

The job evaluation system and the classification structure are difficult to understand, inflexible and very slow to respond to needs. The job evaluation system does not recognize emerging jobs in technology and other areas. The system does not value those factors which are important in today's jobs such as customer service and team work.

Managers and supervisors are not adequately trained and supported in human resource management. Performance problems are often ignored until a crisis occurs. Knowledge and skill development for all employees is not acknowledged as an essential investment for the future.

Reforming the System

The Governor proposes comprehensive redesign of the State's Human Resource Management system in four broad, functional areas:

■ **Hiring and Deployment**

Changes in the hiring process include redesign of the recruitment function, streamlining of procedures and improved deployment of state resources. Many positions can be filled through alternative recruiting and assessment approaches, resulting in recruits with appropriate skills hired at a faster rate. Better deployment of current staff will also result in fewer layoffs.

■ **Training and Development**

The state's training and development function will better utilize resources and link training to organization goals and performance needs. This includes a redesign of the current curriculum offered by the state. Employee development will be more closely linked to agency mission and goals.

Less central delivery of actual training and more job/organization specific training is recommended. Training programs need to better meet the specialized roles state employees fulfill in their agencies; this calls for DOER moving to more of a coordinator/facilitator role in training. Savings from conducting regional training are estimated at 50% for travel and overtime. One agency calculated that the cost of a regional Supervisory Core program for 15 participants was \$7,500, versus \$18,000 if participants attended in St. Paul. Ten regional training programs could save the state \$100,000.

■ **Classification and Compensation**

A new classification and compensation structure will be designed and implemented with a modified job evaluation system, broader classifications and a broad band salary structure. Savings will result from simplification of the classification structure. Reducing the number of classifications from 2,400 to 600 will decrease the cost of maintenance and improve the quality of class standards.

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Employee Relations, Department of
PROGRAM: Human Resources (HR) Management Project
ACTIVITY: State-wide HR System Design and Implementation

ITEM TITLE: Human Resources System Project
(Continuation)

■ **Performance Management**

New performance management systems will be developed and implemented by state agencies, guided by a statewide model developed by the Department of Employee Relations. The model will focus on citizen needs, customer service, organizational, team and individual performance, quality results, continuous improvement and employee development. Implementation will require extensive management and human resources staff training supported by a comprehensive communications program in addition to system design changes.

Performance management will use employees more effectively to reach agencies's goals. Evaluation tools will be available to guide management decisions for the organization, the work unit and the individual. A skilled management team will set and evaluate priorities and have greater accountability for achieving performance goals. Employees will have a clear understanding of job responsibilities and expected results.

LONG-TERM IMPACT:

Responsive systems and processes will link performance to identified outcomes and agencies will respond more quickly to citizen needs. More flexible human resource management systems will better meet those needs. Goals will be more clearly defined through strategic planning at the state and agency levels and will focus on quality customer service. Streamlined classification, hiring, training and evaluation processes will result in better services with less time and expense.

The new performance management system will focus more on goals than processes, recognizing employees for accomplishment of clearly specified outcomes and making the development of skills specific to program goals companion to overall organizational objectives.

System changes will facilitate better selection, development and retention of well-qualified employees and provide them with the skills, responsibility and authority to deliver valued public services. For every 1% improvement in state employee productivity, the state will receive \$8,000,000 in value-added services.

The new human resource system will acknowledge the central role played by managers in directing state service delivery and will provide them with the competencies and authority to manage more effectively. The new organizational culture that ensues will support quality service and accountability, and will reward the achievement of well-defined outcomes.

1994-95 Biennial Budget

BUDGET ACTIVITY: Administration
PROGRAM: Human Resources
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY DESCRIPTION:

This activity consists of the Office of the Commissioner and Administrative Support Services. It exists to provide direction to the state's human resource and employee insurance programs by establishing policies and providing guidance to the executive branch of state government by managing the department's activities, preparing and evaluating legislative proposals, maintaining liaison with the legislature and Governor's Office, implementing administrative procedures and interpreting the department's policies for state agencies and the public. This activity also administers the statewide payroll certification and provides support services to the agency in the areas of management information, word processing, budgeting, accounting, and human resource management.

BUDGET ISSUES:

The major challenge facing this activity is to provide assistance and services to meet the increased demand of managers and supervisors to be equipped to support basic and emerging human resource needs. Expert coordination will be needed to develop a flexible workforce that can respond to changing service needs by receiving ongoing training in state of the art human resource management concepts.

Public perception concerning the effectiveness of state government services has a significant effect on our agency as the state's human resource function. This agency will be looked to for leadership in meeting the challenge to improve employee productivity and enhance the image of state employment.

Support services provided within this organization to its various programs will need to be streamlined, outsourced or eliminated. Program level staff reductions will have a proportional effect on general service staffing levels. Changes in program levels within the organization will permit decrease of positions in staffing levels for the administration activity.

EFFICIENCY MEASURES:

- To improve customer satisfaction.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: HUMAN RESOURCE MANAGEMENT
ACTIVITY: ADMINISTRATION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,765	1,733	1,772	1,779	1,824	1,763	1,779	1,812	1,751
EXPENSES/CONTRACTUAL SRVCS	496	429	542	685	685	685	679	669	669
MISC OPERATING EXPENSES	37	36	62	62	62	62	62	62	62
SUPPLIES/MATERIALS/PARTS	699	206	212	212	212	212	212	212	212
CAPITAL EQUIPMENT	48	84							
SUBTOTAL STATE OPERATIONS	3,045	2,488	2,588	2,738	2,783	2,722	2,732	2,755	2,694
TOTAL EXPENDITURES	3,045	2,488	2,588	2,738	2,783	2,722	2,732	2,755	2,694
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<61>			<61>
TOTAL GOV'S INITIATIVES						<61>			<61>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,366	2,458	2,586	2,736	2,782	2,721	2,730	2,754	2,693
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	33	29	1	1			1		
AGENCY	646	1	1	1	1	1	1	1	1
TOTAL FINANCING	3,045	2,488	2,588	2,738	2,783	2,722	2,732	2,755	2,694
POSITIONS BY FUND:									
GENERAL	38.0	38.0	38.5	38.5	36.5	36.5	38.5	34.5	34.5
SPECIAL REVENUE	2.0	1.3	1.3						

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
 PROGRAM: HUMAN RESOURCE MANAGEMENT
 ACTIVITY: ADMINISTRATION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	40.0	39.3	39.8	38.5	36.5	36.5	38.5	34.5	34.5

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1994-95 Biennial Budget

BUDGET ACTIVITY: Equal Opportunity
PROGRAM: Human Resources
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY DESCRIPTION:

The equal opportunity activity provides state managers and supervisors the policy framework and technical assistance necessary to carry out their responsibilities under federal and state equal employment opportunity laws. It provides state managers and supervisors training, education and assistance to help them achieve and maintain a representative workforce reflective of the labor force of the state of Minnesota.

BUDGET ISSUES:

There has been a significant change in the makeup of the state's population during the past 10 years. With a decrease in staffing levels throughout the state, the need to increase protected group representation within the state's workforce will become more difficult to achieve. Agencies will need to be assisted in developing new, effective affirmative action programs such as internships in directing attention to school age children of disadvantaged families to get them to think long range as the state of Minnesota as an employment opportunity and in educating the state's workforce on cultural difference issues. New approaches to hiring methods and recruitment activities will be needed. Refocusing the division's function away from day to day monitoring to one of assistance will permit decrease of 1.0 position in this activity.

EFFICIENCY MEASURES:

- To increase protected group representation in the workforce. We will use the following measurements to determine our success:

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>
% of state's workforce that are minorities	4.41%	4.51%	4.7%	5%
% of missed opportunities are minorities	15.9%	14%	13.5%	13%
% of times, one or more minorities are on eligible list when a disparity exists	35%	36.8%	40%	40%

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: HUMAN RESOURCE MANAGEMENT
ACTIVITY: EQUAL OPPORTUNITY

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	248	230	225	226	200	193	226	214	207
EXPENSES/CONTRACTUAL SRVCS	27	32	25	25	25	25	25	25	25
MISC OPERATING EXPENSES	8	7	13	13	13	13	13	13	13
SUPPLIES/MATERIALS/PARTS	2	2	3	3	3	3	3	3	3
CAPITAL EQUIPMENT	5	1							
SUBTOTAL STATE OPERATIONS	290	272	266	267	241	234	267	255	248
TOTAL EXPENDITURES	290	272	266	267	241	234	267	255	248
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<7>			<7>
TOTAL GOV'S INITIATIVES						<7>			<7>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	290	272	266	267	241	234	267	255	248
TOTAL FINANCING	290	272	266	267	241	234	267	255	248
POSITIONS BY FUND:									
GENERAL	6.5	6.5	6.0	6.0	5.0	5.0	6.0	5.0	5.0
TOTAL POSITIONS	6.5	6.5	6.0	6.0	5.0	5.0	6.0	5.0	5.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Labor Relations and Compensation
PROGRAM: Human Resources
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY DESCRIPTION:

The labor relations activity represents state management in its relationships with the exclusive representatives for state employees, and sets statewide policy for management's relationship with labor. The compensation activity provides an overall compensation framework, policy development, and research services to executive branch management in the areas of compensation, pay equity, and related programs.

The objectives of the program are:

- To provide an overall labor relations framework for executive branch management that promotes effective management in a unionized work environment through:
 1. effective articulation and representation of management positions; and
 2. stable, positive labor-management relationships.
- To ensure a compensation framework that meets management's needs by being fair, equitable, competitive, and cost-effective.
- To eliminate sex-based disparities in public sector employment in Minnesota by enforcing the Local Government Pay Equity Act.

BUDGET ISSUES:

The major budget issue confronting this activity is the bargaining for contracts for the 1994-95 contract term. Contracts will be negotiated in the context of the state's budget for the next biennium. Successful contract negotiations will depend on ensuring that unions and employees understand the magnitude of the state's budget problems, and on attempting to address union and employee concerns with dignity and respect in difficult times.

The compensation activity will refocus toward compensation policy development, and will delegate responsibility to agencies for routine salary decisions. This change, along with the consolidation of some functions between labor relations and compensation will result in a reduction of 1 FTE. An additional .5 FTE will be eliminated as MIS functions in the department are streamlined.

EFFICIENCY MEASURES:

Labor Relations

- To have successful contract negotiations for F.Y. 1994-95.

Compensation

- To recruit and retain qualified workforce within our existing compensation structure.
- To increase customer satisfaction.

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: HUMAN RESOURCE MANAGEMENT
ACTIVITY: LABOR RELATIONS AND COMPENSATION

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	570	592	629	632	650	629	632	653	632
EXPENSES/CONTRACTUAL SRVCS	68	57	62	62	62	62	62	62	62
MISC OPERATING EXPENSES	20	16	29	29	29	29	29	29	29
SUPPLIES/MATERIALS/PARTS	17	13	12	12	12	12	12	12	12
CAPITAL EQUIPMENT	12								
SUBTOTAL STATE OPERATIONS	687	678	732	735	753	732	735	756	735
TOTAL EXPENDITURES	687	678	732	735	753	732	735	756	735
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<21>			<21>
TOTAL GOV'S INITIATIVES						<21>			<21>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	687	678	732	735	753	732	735	756	735
TOTAL FINANCING	687	678	732	735	753	732	735	756	735
POSITIONS BY FUND:									
GENERAL	12.5	13.5	13.5	13.5	12.5	12.5	13.5	11.0	11.0
TOTAL POSITIONS	12.5	13.5	13.5	13.5	12.5	12.5	13.5	11.0	11.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Staffing Services
PROGRAM: Human Resources
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY DESCRIPTION:

This activity assists state agencies to attract and maintain a qualified workforce to accomplish their missions. The activity offers consultation and direct service in recruiting, screening, assessing, and referring qualified applicants to state managers and supervisors for selection to fill job vacancies. The activity also maintains the state job classification framework and assigns positions to appropriate classes within that framework as a basis for assigning equitable compensation to work of comparable value. Additionally, this activity provides assistance to state managers and employees in administering the position classification and employee placement/layoff and bumping aspects of workforce reorganizations and retrenchments.

BUDGET ISSUES:

This activity has long been one of the largest and most labor-intensive of those performed in the Department of Employee Relations. Over the last decade constant efforts have been made to delegate an ever-increasing amount of position classification and applicant selection responsibility to state agencies - especially for job classes unique to individual agencies. The Commission on Reform and Efficiency (CORE) in a study of state hiring practices has recommended going beyond delegation to actually shifting responsibility and accountability in some cases for recruiting, qualification setting and selection to hiring managers. The commission envisions changing the staffing activity to one of providing training, education and consultation to hiring managers who would be responsible for selecting employees for most classes excepting only those classes of broad statewide applicability for which DOER would continue to be responsible in order to ensure statewide consistency and coordination among multiple user agencies.

While this shift in accountability to managers can be expected to decrease DOER staff requirements to develop and administer selection processes, this will initially be offset by need for staff to develop guidelines and provide training for managers in how to develop and administer defensible, job-related selection processes themselves and to provide consultation and advice as managers begin to exercise their new authorities.

While fewer overall vacancies are anticipated to require filling, the staff reductions likely to take place in state agencies to achieve budget reductions are expected to require increased assistance to redeploy employees facing layoff. As these multiple changing directions and priorities are considered, the best assessment of base level staffing requirements suggests a decrease of 5.0 positions over the biennium.

EFFICIENCY MEASURES:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
<u>Classification of positions</u>				
% of vacant positions classified within 2 weeks	97	97	98	98
% of occupied positions classified within 6 weeks	95	95	96	97

Conduct of selection process to refer qualified candidates to vacancies

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
% of exams with written tests producing candidates within 120 days of request	93	95	95	97
% of exams with experience and training ratings producing candidates within 90 days of request	93	95	95	97

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: HUMAN RESOURCE MANAGEMENT
ACTIVITY: STAFFING SERVICES

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,935	1,781	1,854	1,861	1,797	2,337	1,861	1,864	2,401
EXPENSES/CONTRACTUAL SRVCS	803	265	300	263	253	253	263	248	248
MISC OPERATING EXPENSES	91	84	105	76	76	76	75	75	75
SUPPLIES/MATERIALS/PARTS	197	34	30	25	25	275	25	25	275
CAPITAL EQUIPMENT	753	71	23						
SUBTOTAL STATE OPERATIONS	3,779	2,235	2,312	2,225	2,151	2,941	2,224	2,212	2,999
TOTAL EXPENDITURES	3,779	2,235	2,312	2,225	2,151	2,941	2,224	2,212	2,999
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<60>			<63>
(P) CORE HUMAN RESOURCES MGMT PROJECT			GEN			850			850
TOTAL GOV'S INITIATIVES						790			787
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,779	2,235	2,312	2,225	2,151	2,941	2,224	2,212	2,999
TOTAL FINANCING	3,779	2,235	2,312	2,225	2,151	2,941	2,224	2,212	2,999
POSITIONS BY FUND:									
GENERAL	42.0	41.5	41.5	41.5	36.5	40.0	41.5	36.5	40.0
TOTAL POSITIONS	42.0	41.5	41.5	41.5	36.5	40.0	41.5	36.5	40.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Training and Development
PROGRAM: Human Resources
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY DESCRIPTION:

The training and development activity provides coordination and technical assistance to operating agencies on course design and delivery of training services to meet their organizational needs; develops curriculum to inform and educate employees in how to carry out state policies that affect the workforce; provides programs to train state trainers and non-training specialists and serves as a resource for requested training solutions.

BUDGET ISSUES:

During our strategic planning process, employees and agencies explained that the current training activity was not meeting their needs. There has been a decline in participation in many of our classes and an increase in reliance on other training resources and services as well as an increase in expressions of unmet training needs.

As a result we will be redefining our mission and role in training, eliminating functions that are no longer needed, refocusing our attention on providing leadership and coordination of existing state training resources, and acting as a catalyst to facilitate additional training to meet unmet needs.

We anticipate that we can provide these services with four positions which will provide services such as planning, leadership, resource coordination, program policies, curriculum development, contract review, train the trainer programs, and course catalog development. Classroom training and conferences will be provided on a fee basis through the training revolving fund. This change in emphasis and delivery provision will permit a decrease of 7.5 positions from the General Fund.

EFFICIENCY MEASURES:

Improved customer satisfaction
Increased utilization of existing
state training resources
of training hours per state
employee per year

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: HUMAN RESOURCE MANAGEMENT
ACTIVITY: TRAINING AND DEVELOPMENT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	513	466	479	481	332	326	481	347	340
EXPENSES/CONTRACTUAL SRVCS	430	251	274	234	218	218	234	154	154
MISC OPERATING EXPENSES	83	20	45	45	29	29	45	22	22
SUPPLIES/MATERIALS/PARTS	62	33	34	34	38	38	34	38	38
CAPITAL EQUIPMENT		3	5	5			5		
OTHER	10	34	10	10	10	10	10	10	10
SUBTOTAL STATE OPERATIONS	1,098	807	847	809	627	621	809	571	564
LOCAL ASSISTANCE	132								
TOTAL EXPENDITURES	1,230	807	847	809	627	621	809	571	564
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES							<6>		<7>
TOTAL GOV'S INITIATIVES							<6>		<7>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	804	576	606	568	277	271	568	221	214
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	426	231	241	241	350	350	241	350	350
TOTAL FINANCING	1,230	807	847	809	627	621	809	571	564
POSITIONS BY FUND:									
GENERAL	11.5	11.5	11.5	11.5	4.0	4.0	11.5	4.0	4.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
 PROGRAM: HUMAN RESOURCE MANAGEMENT
 ACTIVITY: TRAINING AND DEVELOPMENT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	11.5	11.5	11.5	11.5	4.0	4.0	11.5	4.0	4.0

PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

PROGRAM PURPOSE:

The Employee Insurance Program exists to meet the insurance needs of state employees and other private and public employees whose employers have chosen to participate in the health insurance program and to administer the state's self-insured workers' compensation program. The program includes development, administration and management of the following activities: 1) State Group Insurance, 2) Public Employees Insurance, 3) Private Employers Insurance, and 4) State Workers' Compensation.

The program negotiates insurance benefits and related contracts to provide appropriate coverage levels, efficient claims administration, and initiatives to prevent and control costs. The program also acts as administrator for the state's self-insured workers' compensation activities covering employees of the executive, legislative and judicial branches and other public customers.

The primary goal of the program with respect to employee insurance benefits is to provide high-quality, cost-effective insurance coverage and employee education which meets the needs of customers. The primary goals of the program with respect to workers' compensation are to ensure the timely and accurate processing of claims, to ensure that injured employees have access to quality health care and promptly receive the benefits to which they are entitled, and to ensure that injured workers are returned to meaningful jobs as expeditiously as possible. The program also assists agencies in providing safe and healthy work environments for state employees, promoting healthy lifestyles among state employees and their families, and providing rehabilitative and retraining opportunities to injured workers.

PROSPECTS:

1. Cost Containment

- The rise in health care costs associated with employee benefits and workers' compensation is a major concern for public and private employers. These costs are increasing at a rate which is almost 3 times the rate of inflation. At a time of decreasing public resources to meet the needs of citizens, this rapid increase means that a greater proportion of scarce resources must be devoted to paying for these benefits at the expense of other necessary services.
- While striving to contain costs, special emphasis must be placed on assuring adequate access to quality health care services.
- The quality of the services provided to employees and to state agencies must remain a major emphasis.

2. Preventive Interventions

- The Employee Insurance Division provides a wide variety of health promotion and work place safety services. There is evidence that such services improve productivity, enhance morale, and help contain health care costs and lost time costs.
- Rehabilitation and return-to-work interventions provide the mechanisms to allow workers to return to the workforce. These interventions emphasize the positive effects of meaningful employment and group membership on a person's quality of life.

3. Efficient and Responsive Administration

- The Employee Insurance Division negotiates contracts and rates with a variety of insurance carriers. Through employee communications and the employer's premium contribution structure, the division creates an environment that promotes quality and price competition among health insurance carriers. Generally, premium increases have been lower than those experienced by other purchasers.
- The Public Employees Insurance Plan (PEIP) provides a mechanism for units of local government to achieve more affordable and stable premiums and a greater choice of health plan options by taking advantage of the greater leverage and purchasing expertise of the state. The Division is developing a program similar to PEIP to provide these efficiencies to private-sector employers.
- Improvements in the state's workers' compensation program are a high priority to address 3 major concerns: cost containment, especially medical costs; the quality of health care provided; and the fact that the whole process has become more adversarial. To address these issues, the Division is pursuing strategies to enhance our ability to moderate cost increases, ensure access to quality health care, expedite workers' return to work, and provide an administrative process which encourages a positive relationship with participants. To this end, DOER has issued a Request for Proposal (RFP) from qualified vendors to administer all or parts of this activity.

OUTCOMES:

- To contain costs. The program will measure outcomes in terms of keeping increases in health insurance and workers' compensation costs below prevailing trends, and achieving consistent savings for groups that join the insurance programs.
- To decrease the number of injuries and illnesses. The program will measure outcomes in terms of decreased incidence of low birth weight, cardiovascular disease, and work-related injuries, and increased adherence to recommended childhood immunization schedules.

OBJECTIVES:

1. Cost Containment

Measure 1: Employer insurance premium and claim cost increases.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Health Insurance					
Market public employer	8.9%	8.5%	-	-	-
State Group Insurance	7.9%	5.5%	-	-	-
Compared to trend	-1.0%	-3.0%	-1.5%	-1.5%	-1.5%
Public Employees Ins.	18.5%	8.0%			
Compared to trend	+9.6%	-0.5%	-1.0%	-1.0%	-1.0%
Private Employers Ins.	n/a	n/a			
Compared to trend			0.0%	-1.0%	-1.0%
Workers' Compensation					
State Program	11.8%	11.3%	10%	9%	9%
Minnesota - all employees	21.4%	11.5%	n/a	n/a	n/a

1994-95 Biennial Budget

PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)
 (Continuation)

Objective: Maintain health insurance premium increases and workers' compensation expenditure increases at rates below the prevailing market trend for comparable programs. (Trend comparisons based on actuarial data for large groups in the northcentral region.)

Measure 2: First-year health insurance savings for participants in the Public Employees Insurance Program and the Private Employers Insurance Program.

	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Public Employees Insurance					
Dollars	\$353	\$146	-	-	-
Percent	16.8	18.0	10.0	10.0	100
Private Employers Insurance					
Dollars	n/a	n/a	n/a		
Percent	n/a	n/a	n/a	10.0	100

Objective: Control health insurance costs for public- and private-sector employers.

2. Preventive Interventions

The program will begin to collect information in F.Y. 1993 about low birth weight, immunization rates, and cardiovascular disease. Our objective is to control costs and improve the health of our employees, retirees, and their dependents through providing incentives to health plans to emphasize: (1) early and comprehensive prenatal care and other preventive interventions to reduce incidence of low birth weight; (2) adherence to recommended immunization schedules; and (3) programs (health promotion and other preventive interventions) which will result in reducing the incidence of cardiovascular disease. In each area, we plan to achieve outcomes equal or superior to the statewide average. These preventive intervention outcome measures will be monitored prospectively, but data for initial comparisons are not expected to be available for inclusion in the budget.

Measure 3: Number of work-related injuries per 100 employees.

	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
	8.4	10.3	9.0	8.9	8.8

Objective: To decrease the number of injuries per 100 employees.

Because of the size, number and diversity of occupational fields present in the state's workforce, and the difference in workers' compensation environments from state to state, it is difficult to make meaningful comparisons on the number of work-related injuries. The number of work-related injuries published for government or public administration in the United States for 1989 was 10.4 per 100 employees.

3. Efficient and Responsive Administration

Measure 4: PEIP participation and group retention.

	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Public Employees Ins.					
Net new enrollment	829	379	1,146	2,500	2,500
F.Y. end enrollment	979	1,354	2,500	5,000	7,500
Net new groups	28	9	53	100	100
F.Y. end groups	38	47	100	200	300
Group retention rate	n/a	96%	95%	95%	95%
Private Employers Ins.					
Net new enrollment	n/a	n/a	n/a	4,000	6,000
F.Y. end enrollment	n/a	n/a	n/a	4,000	10,000
Net new groups	n/a	n/a	n/a	160	240
F.Y. end groups	n/a	n/a	n/a	160	400
Group retention rate	-	-	-	n/a	n/a

Objective: Achieve increased enrollment and high group retention.

PROGRAM PLAN:

By consolidating the talents of employees in the Safety and Workers' Compensation Division and the Employee Health and Benefits Division to create the Employee Insurance Division, the program continues to achieve greater efficiency. The need to maintain an appropriate level of services with limited resources is an ever-present challenge. To do so, we must continually redirect our efforts to make effective use of our resources. Some of our future plans to meet these challenges are:

- **Increase automation.** By exploring and making use of new software, computer system improvements and other technological advances, we plan to improve efficiency throughout the division.
- **Contract selectively.** By making use of the best expertise, we intend to seek strong working relationships and develop appropriate partnerships with private sector entities.
- **Develop entrepreneurial activities.** By empowering employees within our own agency to be creative and develop new approaches, we expect to encourage a variety of ideas to reinvent the way we do business, seek different associations with non-traditional partners, and add to the value customers receive from the program's service.
- **Target services.** By focusing on services that are most in demand and trimming areas that may not be cost-effective, we will put our human and financial resources where they are needed most.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan, with one exception; a recommended reduction in the General Fund appropriation request of \$1,416,000 in the first year and \$1,304,000 in the second year. These savings result from premiums being deferred on reinsurance for workers' compensation claims through F.Y. 1995 in order to reflect the refunds recommended by WCRA Board.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: EMPLOYEE INSURANCE

ACTIVITY RESOURCE ALLOCATION:				FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
STATE GROUP INS ADMIN	2,946	2,680	3,178	3,196	3,309	3,309	3,196	3,316	3,316
STATE GROUP INS PREMIUMS	161,076	173,749	179,093	179,093	192,640	192,640	179,093	210,567	210,567
PUBLIC EMPLOYEES INS ADMIN	286	332	465	470	470	470	470	470	470
PUBLIC EMPLOYEES INS PREMIUMS	1,606	3,060	3,190	3,190	13,556	13,556	3,190	24,468	24,468
PRIVATE EMPLOYERS INS ADMIN			582	582	738	738	582	738	738
PRIVATE EMPLOYERS INS PREMIUMS			1,097	1,097	10,596	10,596	1,097	30,228	30,228
STATE WORKERS COMP ADMIN	4,035	3,916	5,121	4,281	4,281	2,865	4,169	4,169	2,865
STATE WORKERS COMP CLAIMS	21,028	22,713	23,395	23,021	22,152	22,152	23,021	24,133	24,133
TOTAL EXPENDITURES BY ACTIVITY	190,977	206,450	216,121	214,930	247,742	246,326	214,818	298,089	296,785
GOV'S INITIATIVES:			FUND						
(A) NCRA PREMIUM CREDIT			GEN			<1,416>			<1,304>
TOTAL GOV'S INITIATIVES						<1,416>			<1,304>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,977	1,713	2,388	1,520	1,520	104	1,408	1,408	104
HEALTH CARE ACCESS					3,554	3,554		7,125	7,125
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	23,172	25,014	26,420	26,074	25,318	25,318	26,074	27,306	27,306
EMPLOYER INSURANCE TRUST			1,679	1,679	7,780	7,780	1,679	23,841	23,841
EMPLOYEE INS TRUST	162,648	176,125	181,136	181,159	203,933	203,933	181,159	232,487	232,487
AGENCY	3,180	3,598	4,498	4,498	5,637	5,637	4,498	5,922	5,922
TOTAL FINANCING	190,977	206,450	216,121	214,930	247,742	246,326	214,818	298,089	296,785
POSITIONS BY FUND:									
GENERAL	1.5								
SPECIAL REVENUE	44.0	49.5	53.0	53.0	53.0	53.0	53.0	53.0	53.0
EMPLOYER INSURANCE TRUST			14.0	14.0	14.0	14.0	14.0	14.0	14.0

BUDGET ACTIVITY: State Group Insurance
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY DESCRIPTION:

This activity provides employee insurance benefits including health, dental, life and disability insurance, health promotion services, and pre-tax spending accounts for dependent care and medical/dental expenses. The activity provides insurance benefits to executive branch employees and to other organizations authorized by law to participate in the state group including the University of Minnesota, the legislative and judicial branches of state government, and 29 smaller organizations (e.g., legislative commissions, employee credit unions, state employee unions). Employee insurance benefits are a critical component of total employee compensation and a critical factor for attracting and retaining a high-quality workforce. The activity administers the largest employment-based insurance benefits program in Minnesota, covering over 120,000 employees, retirees and dependents, with an annual premium volume of approximately \$250 million.

BUDGET ISSUES:

The major budget issue confronting this activity is continued growth in insurance benefit costs in excess of general inflation rates. Although the activity has, for the past several years, successfully kept the state's increases below prevailing industry-wide trends, insurance benefit costs will continue to exert considerable pressure on the overall state budget. The activity will respond to this challenge through a strengthened emphasis on insurance carrier performance audits and analysis, a statewide health promotion program, and more efficient administration of the activity's computer system.

EFFICIENCY MEASURES:

- Measure 1: Administrative cost areas.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Administrative fee as percent of total premium volume	1.40%	1.29%	1.22%	1.11%	1.09%
Central Processing Unit (CPU) time used to run insurance daily job stream (in hours)	9.0	1.4	-	-	-
Cost of open enrollment materials	\$140,855	\$128,600	\$100,700	-	-

Objective: To maintain or decrease administrative costs as a percentage of total premium administered by the activity.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: STATE GROUP INS ADMIN

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	873	926	1,203	1,206	1,215	1,215	1,206	1,203	1,203
EXPENSES/CONTRACTUAL SRVCS	1,780	1,355	1,598	1,613	1,666	1,666	1,613	1,693	1,693
MISC OPERATING EXPENSES	116	146	207	207	211	211	207	196	196
SUPPLIES/MATERIALS/PARTS	49	21	39	39	40	40	39	41	41
CAPITAL EQUIPMENT	52	14	30	30	31	31	30	32	32
OTHER	76	218	101	101	146	146	101	151	151
SUBTOTAL STATE OPERATIONS	2,946	2,680	3,178	3,196	3,309	3,309	3,196	3,316	3,316
TOTAL EXPENDITURES	2,946	2,680	3,178	3,196	3,309	3,309	3,196	3,316	3,316
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	15								
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	71	98	292	292	405	405	292	412	412
EMPLOYEE INS TRUST	2,860	2,582	2,886	2,904	2,904	2,904	2,904	2,904	2,904
TOTAL FINANCING	2,946	2,680	3,178	3,196	3,309	3,309	3,196	3,316	3,316
POSITIONS BY FUND:									
GENERAL	1.5	.0	.0	.0	.0	.0	.0	.0	.0
SPECIAL REVENUE	.0	.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
EMPLOYEE INS TRUST	13.5	23.3	25.0	25.0	25.0	25.0	25.0	25.0	25.0
TOTAL POSITIONS	15.0	23.8	26.0	26.0	26.0	26.0	26.0	26.0	26.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: STATE GROUP INS PREMIUMS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	75,958	79,262	81,545	81,545	87,503	87,503	81,545	94,975	94,975
MISC OPERATING EXPENSES	85,069	94,445	97,498	97,498	105,062	105,062	97,498	115,512	115,512
OTHER	49	42	50	50	75	75	50	80	80
SUBTOTAL STATE OPERATIONS	161,076	173,749	179,093	179,093	192,640	192,640	179,093	210,567	210,567
TOTAL EXPENDITURES	161,076	173,749	179,093	179,093	192,640	192,640	179,093	210,567	210,567
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
EMPLOYEE INS TRUST	157,896	170,151	174,595	174,595	187,003	187,003	174,595	204,645	204,645
AGENCY	3,180	3,598	4,498	4,498	5,637	5,637	4,498	5,922	5,922
TOTAL FINANCING	161,076	173,749	179,093	179,093	192,640	192,640	179,093	210,567	210,567
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

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1994-95 Biennial Budget

BUDGET ACTIVITY: Public Employees Insurance
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY DESCRIPTION:

This activity provides health, dental and life insurance benefits to employees of local units of government that have elected to participate in the Public Employees Insurance Plan (Public PEIP).

Employee insurance benefits are a critical component of total employee compensation and to attracting and retaining a high-quality workforce in local governments. Public PEIP is a significant source of competitive insurance coverage for local governments in Minnesota, covering over 3,000 employees, retirees and dependents with an annual premium volume of approximately \$4.5 million.

BUDGET ISSUES:

The major budget issue confronting this activity is continued growth in insurance benefit costs in excess of general inflation rates. The activity's challenge is to assist Minnesota cities, counties, schools and other local jurisdictions to keep increases in these expenditures below prevailing industry-wide trends. The activity will respond to this challenge by restructuring its health insurance options to strengthen competition and build upon the successful purchasing model of the state group insurance program.

EFFICIENCY MEASURES:

- Measure 1: Progress towards program self-support.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Percent of agency costs paid through premiums	0.0%	0.0%	25%	50%	75%

Objective: Steadily decreasing need for external support for administrative costs as warranted by program growth and stability.

- Measure 2: DOER overhead as percentage of total program premium collections.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
	14.7%	12.8%	7.2%	3.4%	1.9%

Objective: Steadily decreasing DOER overhead as percentage of total program premium collections.

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: PUBLIC EMPLOYEES INS ADMIN

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	126	187	215	216	211	211	216	209	209
EXPENSES/CONTRACTUAL SRVCS	147	135	198	202	201	201	202	203	203
MISC OPERATING EXPENSES	12	7	18	18	24	24	18	24	24
SUPPLIES/MATERIALS/PARTS	1	2	4	4	4	4	4	4	4
CAPITAL EQUIPMENT		1	5	5	5	5	5	5	5
OTHER			25	25	25	25	25	25	25
SUBTOTAL STATE OPERATIONS	286	332	465	470	470	470	470	470	470
TOTAL EXPENDITURES	286	332	465	470	470	470	470	470	470
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
EMPLOYEE INS TRUST	286	332	465	470	470	470	470	470	470
TOTAL FINANCING	286	332	465	470	470	470	470	470	470
POSITIONS BY FUND:									
EMPLOYEE INS TRUST	4.0	6.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL POSITIONS	4.0	6.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: PUBLIC EMPLOYEES INS PREMIUMS

ACTIVITY SUMMARY				FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	546	721	790	790	3,378	3,378	790	6,059	6,059
MISC OPERATING EXPENSES	1,060	2,339	2,400	2,400	10,178	10,178	2,400	18,409	18,409
SUBTOTAL STATE OPERATIONS	1,606	3,060	3,190	3,190	13,556	13,556	3,190	24,468	24,468
TOTAL EXPENDITURES	1,606	3,060	3,190	3,190	13,556	13,556	3,190	24,468	24,468
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
EMPLOYEE INS TRUST	1,606	3,060	3,190	3,190	13,556	13,556	3,190	24,468	24,468
TOTAL FINANCING	1,606	3,060	3,190	3,190	13,556	13,556	3,190	24,468	24,468
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

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1994-95 Biennial Budget

BUDGET ACTIVITY: Private Employers Insurance
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY DESCRIPTION:

This activity is charged to provide health and dental insurance benefits to private sector employees whose employers have elected to participate in the program. The program was authorized as part of the comprehensive 1992 health care reform legislation, and is to begin offering coverage in July 1993.

Employee insurance benefits are a critical component of total employee compensation and to attracting and retaining a high-quality workforce. For Minnesota employers, insurance benefit costs are also a key component of the state's business climate and the costs of doing business. Rising insurance benefit costs are a common cause of labor/management disputes and of business bankruptcies. By providing a competitive source of insurance coverage, the Private Employers Insurance Program (Private PEIP) is intended to improve the business climate for Minnesota employers and contribute to the state's overall health care reform initiatives.

BUDGET ISSUES:

The major budget issue confronting this activity is continued growth in insurance benefit costs excess of general inflation rates. The activity's challenge is to assist Minnesota employers to keep increases in these expenditures below prevailing industry-wide trends. The activity will respond to this challenge by pursuing a structure for its health insurance options that strengthens competition and builds upon the successful purchasing model of the state group insurance program.

The activity will pursue arrangements with private sector health insurers that minimize the need for state start-up assistance. Any assistance that is necessary will be repaid to the state's health care access fund in accordance with the authorizing legislation.

EFFICIENCY MEASURES:

- Measure 1: Progress towards program self-support.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Percent of agency costs paid through premiums	n/a	n/a	n/a	25 %	50 %

Objective: Steadily decreasing need for external support for administrative costs as warranted by program growth and stability.

- Measure 2: DOER overhead as percentage of total program premium collections.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
	n/a	n/a	n/a	10.2 %	3.1 %

Objective: Steadily decreasing DOER overhead as percentage of total program premium collections.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: PRIVATE EMPLOYERS INS ADMIN

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES			150	150	360	360	150	372	372
EXPENSES/CONTRACTUAL SRVCS			400	400	324	324	400	310	310
MISC OPERATING EXPENSES			15	15	20	20	15	22	22
SUPPLIES/MATERIALS/PARTS			2	2	4	4	2	4	4
CAPITAL EQUIPMENT			15	15	5	5	15	5	5
OTHER					25	25		25	25
SUBTOTAL STATE OPERATIONS			582	582	738	738	582	738	738
TOTAL EXPENDITURES			582	582	738	738	582	738	738
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
EMPLOYER INSURANCE TRUST			582	582	738	738	582	738	738
TOTAL FINANCING			582	582	738	738	582	738	738
POSITIONS BY FUND:									
EMPLOYER INSURANCE TRUST	.0	.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
TOTAL POSITIONS	.0	.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: PRIVATE EMPLOYERS INS PREMIUMS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomn.	Current Spending	Agency Plan	Governor Recomn.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS			1,097	1,097	1,465	1,465	1,097	2,352	2,352
MISC OPERATING EXPENSES					9,131	9,131		27,876	27,876
SUBTOTAL STATE OPERATIONS			1,097	1,097	10,596	10,596	1,097	30,228	30,228
TOTAL EXPENDITURES			1,097	1,097	10,596	10,596	1,097	30,228	30,228
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
HEALTH CARE ACCESS									
STATUTORY APPROPRIATIONS:					3,554	3,554		7,125	7,125
EMPLOYER INSURANCE TRUST			1,097	1,097	7,042	7,042	1,097	23,103	23,103
TOTAL FINANCING			1,097	1,097	10,596	10,596	1,097	30,228	30,228
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

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1994-95 Biennial Budget

BUDGET ACTIVITY: State Workers' Compensation
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

ACTIVITY DESCRIPTION:

This activity administers the state's self-insured workers' compensation program in compliance with M.S. 176. The activity is responsible for claims management including accepting and denying claims; payment of medical, legal and indemnity bills; coordination of rehabilitation and return-to-work activities; legal representation; coordination of utilization review and medical care management, and consultive services in the areas of occupational safety, environmental hygiene, and injury prevention. The activity covers employees of the executive, legislative and judicial branches of state government and other public employees.

BUDGET ISSUES:

The major budget issue confronting this activity is the growth in expenditures associated with workers' compensation claims, especially the medical portion of the claims. There are also growing concerns with the quality and utilization of some of the health care services provided to injured workers. Additionally, this activity must continue efforts to enhance work place safety. Finally, there is a need to strengthen the claim administration function to increase timeliness, reduce errors, and coordinate the activities of all participants in order to increase the activity's cost effectiveness and efficiency.

EFFICIENCY MEASURES:

- Measure 1: Management of caseload size.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Cases reopened	578	854	800	800	800
New cases opened	4,774	4,221	4,000	4,000	4,000
Cases closed	9,652	8,143	4,800	4,800	4,800
Caseload at end of fiscal year	6,866	3,637	3,637	3,637	3,637

Objective: The number of cases closed should be greater than or equal to the number of cases opened in order to maintain a stable or declining caseload. The number of cases open includes new cases and reopened cases.

- Measure 2: Administrative cost per case closed.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
State Program	\$170	\$243	\$495	\$495	\$495
Industry-wide	t/b/d	t/b/d	t/b/d	t/b/d	t/b/d

Objective: Adjusted for inflation, the administrative cost per case closed should remain the same or decrease over time.

- Measure 3: Percentage of medical and indemnity payments made within 30 days.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Medical	56%	85%	90%	90%	90%
Indemnity	100%	100%	100%	100%	100%

Objective: Meeting statutory prompt payment goals.

- Measure 4: Number of penalties received and total amount paid in penalties.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Number of late payment penalties	39	29	25	25	25
Total amount paid	\$10,282	\$13,679	\$13,000	\$13,000	\$13,000
Number of transactions with penalty potential	33,026	35,376	35,376	35,376	35,376

Objective: To measure the timeliness and accuracy of decisions.

According to the August 1992 issue of COMPACT, a quarterly publication issued by the Department of Labor and Industry, the industry rate for late payments made to claimants was 4.2% in 1991. The comparable rate for the state program was 1.9%.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: STATE WORKERS COMP ADMIN

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,574	1,434	1,693	1,699	1,820	1,820	1,699	1,929	1,929
EXPENSES/CONTRACTUAL SRVCS	405	2,049	2,896	2,050	1,904	488	1,938	1,812	508
MISC OPERATING EXPENSES	1,912	57	82	82	85	85	82	88	88
SUPPLIES/MATERIALS/PARTS	23	26	33	33	33	33	33	36	36
CAPITAL EQUIPMENT	35	46	181	181	187	187	181	195	195
OTHER	86	304	236	236	252	252	236	109	109
SUBTOTAL STATE OPERATIONS	4,035	3,916	5,121	4,281	4,281	2,865	4,169	4,169	2,865
TOTAL EXPENDITURES	4,035	3,916	5,121	4,281	4,281	2,865	4,169	4,169	2,865
GOV'S INITIATIVES:									
			FUND						
(A) NCRA PREMIUM CREDIT			GEN			<1,416>			<1,304>
TOTAL GOV'S INITIATIVES						<1,416>			<1,304>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,962	1,713	2,388	1,520	1,520	104	1,408	1,408	104
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	2,073	2,203	2,733	2,761	2,761	2,761	2,761	2,761	2,761
TOTAL FINANCING	4,035	3,916	5,121	4,281	4,281	2,865	4,169	4,169	2,865
POSITIONS BY FUND:									
SPECIAL REVENUE	44.0	44.0	46.5	46.5	46.5	46.5	46.5	46.5	46.5
TOTAL POSITIONS	44.0	44.0	46.5	46.5	46.5	46.5	46.5	46.5	46.5

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: STATE WORKERS COMP CLAIMS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES		204	212	213	235	235	213	243	243
EXPENSES/CONTRACTUAL SRVCS		1	300	300	327	327	300	356	356
MISC OPERATING EXPENSES	21,028	21,906	22,504	22,504	21,586	21,586	22,504	23,529	23,529
SUPPLIES/MATERIALS/PARTS		2	4	4	4	4	4	5	5
OTHER		600	375						
SUBTOTAL STATE OPERATIONS	21,028	22,713	23,395	23,021	22,152	22,152	23,021	24,133	24,133
TOTAL EXPENDITURES	21,028	22,713	23,395	23,021	22,152	22,152	23,021	24,133	24,133
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	21,028	22,713	23,395	23,021	22,152	22,152	23,021	24,133	24,133
TOTAL FINANCING	21,028	22,713	23,395	23,021	22,152	22,152	23,021	24,133	24,133
POSITIONS BY FUND:									
SPECIAL REVENUE	.0	5.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5
TOTAL POSITIONS	.0	5.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Department of Employee Relations
 PROGRAM: Employee Insurance
 ACTIVITY: State Workers' Compensation Administration

ITEM TITLE: WCRA Premium Credit

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,416	\$1,304	\$1,304	\$476
Revenues: (\$000s)				
	\$(566)	\$(522)	\$(522)	\$(190)

Statutory Change? Yes _____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a change in the General Fund appropriation request for payment of Workers' Compensation Reinsurance Association (WCRA) premia in the 1994-95 biennium. This will result in elimination of the original biennial request of \$2,720,000. Net savings to the General Fund from this proposal are \$1,632,000 in fiscal years 1994-95, and \$1,068,000 in the 1996-97 biennium.

The WCRA Board of Directors recently voted to refund approximately \$300,000,000 to members due to a determination that fund assets are in excess of actuarial required levels. The State of Minnesota participates in the WCRA as a self-insured employer for workers' compensation liabilities. The state portion of the total refunds is expected to be about \$4,500,000 (final figures pending from WCRA as of 2/26/93). Premia are projected at \$1,416,000 in F.Y. 1994, and \$1,304,000 thereafter.

The Governor recommends that the refund be applied instead as a credit against future reinsurance premiums. The state will receive no premium billing from the WCRA until the credit, with earnings, is exhausted - projections based on conservative estimates of the total credit indicate that billings would re-commence sometime the third quarter of F.Y. 1997.

Net savings to the General Fund are about 60% of the total credit. While the appropriation to pay the premium is made from the General Fund, 40% is assessed to non-General Fund positions and accounts (the non-General Fund portion of total premium billed). The following table shows how the savings have been estimated:

	(\$'s in 000's)				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
WCRA Refunds (Fall & Spring)	\$5,515				
Refund credited back state funds	1,015				
Projected Premium	1,384	1,416	1,304	1,304	1,304
Credit against premium	<u>-0-</u>	<u>(1,416)</u>	<u>(1,304)</u>	<u>(1,304)</u>	<u>(476)</u>
Net Premium	369	-0-	-0-	-0-	828
Gross Savings to General Fund	1,015	1,416	1,304	1,304	476
Less: Non-General Funds share	<u>(406)</u>	<u>(566)</u>	<u>(522)</u>	<u>(522)</u>	<u>(190)</u>
Net Savings - General Fund	609	850	782	782	286
Net Savings - GF - Biennial	<u>609</u>		<u>1,632</u>		<u>1,068</u>

The advantages of this proposal are several:

- There is a potential net gain to the state, due to the difference between WCRA investment return rates and the those that can be expected from invested Treasurer's cash.
- The process of distributing the non-General Fund share of the refund is extremely tedious and time-consuming, requiring special treatment for programs/accounts that no longer exist or have been modified.

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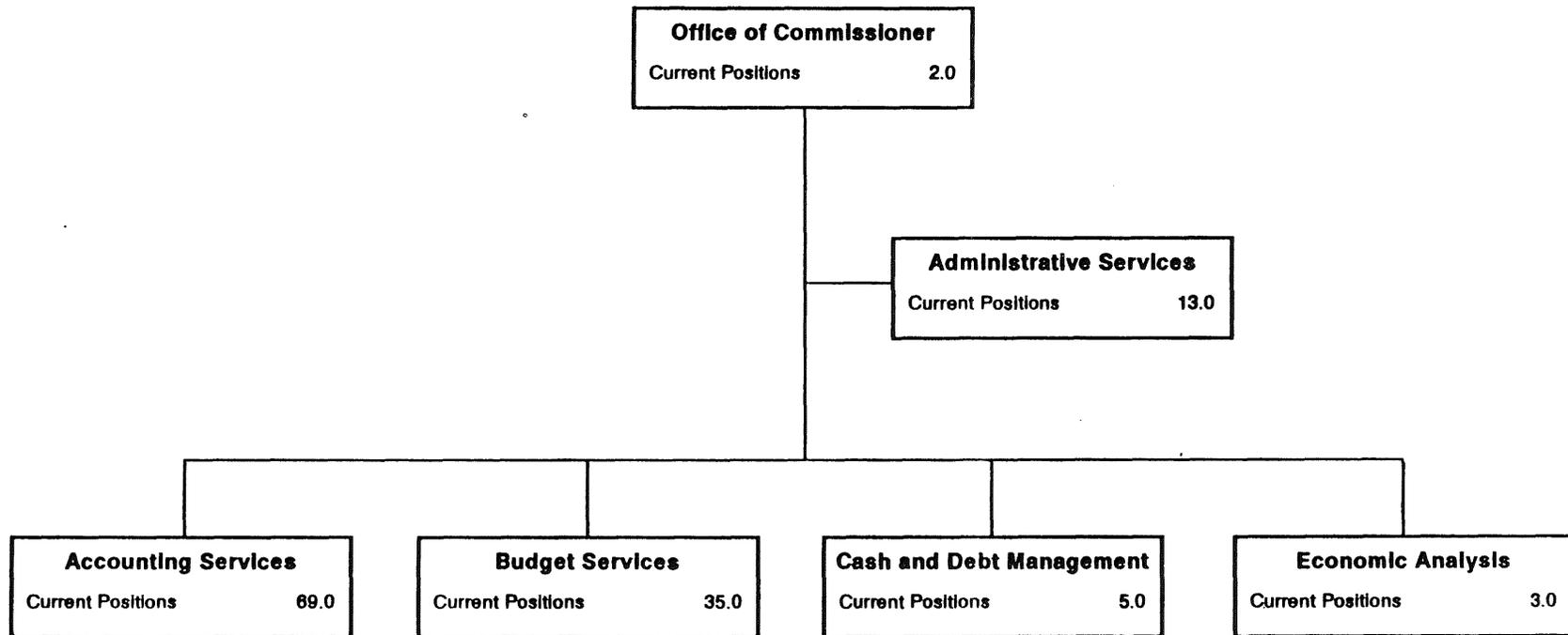
1994-95 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: FINANCE, DEPARTMENT OF

<u>PROGRAM</u>	<u>PAGE</u>
ECONOMIC ANALYSIS	E-204
ACCOUNTING SERVICES	E-206
BUDGET ANALYSIS AND OPERATIONS	E-214
CASH AND DEBT MANAGEMENT	E-219
MANAGEMENT AND ADMINISTRATIVE SERVICES	E-222

Department of Finance Organization Chart - September, 1992



Department of Finance
Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current</u> <u>F.Y. 1993</u>	<u>Requested</u> <u>for 6/30/95</u>
Legislative Complement:		
General Fund	126.0	126.0
Local Government Trust Fund	<u>1.0</u>	<u>1.0</u>
Total Permanent Positions	<u>127.0</u>	<u>127.0</u>
Other Complement (FTE)	23.0	23.0
TOTAL Positions	<u>140.0</u>	<u>140.0</u>
Employees on 6/30/92	115.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	108.0
Full-Time Temporary	4.0
Part-Time Unlimited	1.0
Part-Time Temporary	<u>2.0</u>
TOTAL	<u>115.0</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Finance, Department of

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$8,549	\$8,544	\$17,093
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$8,549	\$8,544	\$17,093
Inflation Cost Increases	254	504	758
Agency Management Decisions			
Management and Administrative Services:			
Salary savings due to investments in technology	\$(41)	\$(43)	\$(84)
Lower supply, data processing and printing costs	(39)	(13)	(52)
Early payoff of copier lease	<u>(33)</u>	<u>(33)</u>	<u>(66)</u>
Subtotal	<u>(113)</u>	<u>(89)</u>	<u>(202)</u>
Accounting Services:			
Salary savings due to improved procedures	\$(271)	\$(280)	\$(551)
Salary savings due to reorganization	(89)	(91)	(180)
Computer processing savings	<u>(125)</u>	<u>(157)</u>	<u>(282)</u>
Subtotal	<u>(485)</u>	<u>(528)</u>	<u>(1,013)</u>
Budget Analysis and Operations:			
Salary savings due to workload consolidation	\$(144)	\$(149)	\$(293)
Salary savings due to reorganization	<u>(51)</u>	<u>(53)</u>	<u>(104)</u>
Subtotal	<u>(195)</u>	<u>(202)</u>	<u>(397)</u>
TOTAL AGENCY PLAN	\$8,010	\$8,229	\$16,239
Governor's Initiatives			
Statewide Systems Project	\$10,000	\$9,000	\$19,000
Accounts Receivable	1,500	-0-	1,500
	<u>4,640</u>	<u>3,869</u>	<u>8,509</u>
Actuarial Services			
Salary Planning Estimates	50	50	100
	<u>(190)</u>	<u>(196)</u>	<u>(386)</u>
Subtotal	<u>\$11,310</u>	<u>\$8,804</u>	<u>\$20,114</u>
	<u>\$14,500</u>	<u>\$12,723</u>	<u>\$27,223</u>
GOVERNOR'S RECOMMENDATION	\$19,320	\$17,033	\$36,353
	<u>\$22,510</u>	<u>\$20,952</u>	<u>\$43,462</u>

Brief Explanation of Agency's Overall Actions:

The Department of Finance plans to maintain its current level of top priority services through a number of restructuring efforts and cost reductions. The restructuring efforts are designed to make agency operations more efficient, hold agencies more accountable for maintaining internal accounting controls and reduce effort on the lowest priority activities. Cost reductions are anticipated in specific areas and also are reflected in the agency management decisions. All of these actions are explained in greater detail on the budget program pages. The cost implications of these decisions are reflected in the budget projections. A summary of these decisions and their cost implications by program follows:

Management and Administrative Services:

Due to the improvements in office procedures and technology, the commissioner's office will be able to effectively function with one less clerical position. In addition, investments in technology and office equipment will allow savings in printing and data processing. Finally, the department is anticipating lower supply costs as a result of cost savings actions within the Department of Administration.

Accounting Services:

Numerous improvements in the Accounting Services Program have allowed the department to lower staffing costs in a number of areas. Part of these improvements will be the expectation that state agencies will be held accountable for maintaining internal accounting controls. Since staff reductions could result in decreasing the Department of Finance's direct financial control of agencies, emphasis will be placed on enhancing the quality of controls within agencies. In this way the integrity of the state's finances can be maintained. In addition, investments in technology have permitted us to improve daily operations. The program also reorganized one of its units eliminating 2 supervisory positions. Finally, lower computer rates realized in the past and anticipated in the next biennium will also lower data processing costs.

Budget Analysis and Operations:

Lowering the effort on lower priority activities allow the consolidation of certain agency assignments for Executive Budget Officers. Further, reorganization of workloads have allowed tax issues to be effectively monitored and addressed within existing staffing. These changes should allow the program to maintain highest priority activities at lower overall costs.

Summary:

Through holding 15 (currently funded) department positions vacant (in addition to 2.6 unfunded vacant positions) and other cost savings activities the department intends to adequately achieve its mission while constructively working toward the Minnesota Milestone goals. These management actions should allow the department to achieve its top priority activities at an acceptable level of performance. Detailed descriptions of management actions are contained in the Program level budget pages.

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	
2. Impact on Staffing:			
Positions left Vacant or Eliminated	17.6	17.6	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
3. Impact on Revenue Generation:			
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-
<u>Governor's Initiatives</u>			
Accounts Receivable - non-dedicated	\$10,000	\$21,500	\$31,500
4. Affected Statutes:			
(*) M.S. 16A.58			
(*)			

5. **Governor's Recommendation:**

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments: a biennial increase above the agency plan level of ~~\$1,500,000~~ and ~~2.0~~ positions \$8,509,000 for the Accounts Receivable Project; \$19,000,000 and 7.0 positions for the Statewide Systems Project; \$100,000 for the funding of actuarial services; and funding has been reduced due to revised salary planning estimates.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPT OF

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) ACCOUNTS RECEIVABLE PROJECT	GEN	4,640	3,869	8,509	9,755	29,106	38,861
(A) SALARY PLANNING ESTIMATES	GEN	<190>	<196>	<386>			
(P) STATEWIDE SYSTEMS PROJECT	GEN	10,000	9,000	19,000			
(B) ACTUARIAL SERVICES COSTS	GEN	50	50	100			
TOTAL BY FUND	GEN	14,500	12,723	27,223	9,755	29,106	38,861
TOTAL INVESTMENT INITIATIVES		14,500	12,723	27,223	9,755	29,106	38,861

AGENCY: Finance, Department of

MISSION STATEMENT:

The mission of the Department of Finance is to facilitate continuous improvement in the performance of state government for the people of Minnesota through the provision of information, analysis and financial management services designed to:

- assure the integrity of the state's finances;
- monitor and report performance of state activities;
- communicate priorities;
- coordinate and facilitate policy development and implementation from a "whole state" perspective; and
- improve accountability and promote the prudent management of state resources.

The department serves the executive branch and, through the Governor, the other branches and governing units of the state. Credibility within these groups is a measure of the department's success.

The department provides the following services:

- | | |
|-------------------|------------------------|
| ■ accounting | ■ financial consulting |
| ■ budgeting | ■ financial reporting |
| ■ cash management | ■ payments |
| ■ debt management | ■ policy analysis |

In order for the department to accomplish this mission, it must depend on its staff and their ability to manage information resources - to efficiently and accurately collect data, to process it into useful information, and to effectively apply that information to continuously improving the performance of state government. The department best achieves these goals when its actions are consistent with its values.

MINNESOTA MILESTONES:

As an Executive Branch agency, the mission of the Department of Finance supports the common vision of Minnesota Milestones. The vision points to a future where government will be cost efficient and services will be designed to meet the needs of people who use them. Two specific indicators will be affected by department actions:

- percentage of the state budget for which goals and outcome measures have been developed; and
- percentage of Minnesotans who say they get their money's worth from their ... state taxes.

The mission of the Department of Finance supports this goal. This mission includes the commitment to "improve accountability and promote the prudent management of state resources." This commitment is found across the department.

- The Accounting Services mission provides statewide accounting and payroll systems and services to process, record and report agency financial transaction. In 1994-95, in the context of budget constraints, the program will face workload increases and greater demands for assistance by agencies. The program has met these increased demands by realigning workloads and reengineering control processes.
- Within the executive branch, the Budget Division has promoted results oriented performance budgeting by requiring state departments to tie their budget requests to specific goals and performance measures. This strategy promotes efficiency, provides a context for weighing competing priorities, and helps identify programs that produce results. It also is coupled explicitly with the need to reengineer and reform processes across all agencies.
- In July, 1992 the department undertook a refunding of a large number of state general obligation bonds. The sale of \$243.1 million of bonds resulted in savings of \$14.7 million in interest payments over the life of the bonds.
- The Statewide Systems Project (SSP) is the principal vehicle through which significant long term administrative systems reform will occur. The SSP involves investments in accounting, payroll, purchasing, and human resource management. Among the project goals are to reform processes and so introduce efficiencies, as well as provide, as Milestones suggests, a long term strategy for getting agencies improved information to support decentralized decision making at the agency level.
- The department has, this past biennium, also undertaken a number of well-focused management improvements promoting efficiency and better management in state government. These include: improvements in the indirect cost allocations policies and collections in order to better recover federal costs, improvements in the General Fund balance statement separating out grants and operations and improving readability, improvements in the capital budget planning process, and improvements in an expanded and refocused fee report. The program has also undertaken to improve the accounts receivable management processes. The effort will result in improved collections and in a better, more efficient use of collection resources.

CLIMATE:

The Department of Finance has undertaken an internal planning exercise which served as the basis for developing strategic directions. The major external factors impacting the department's ability to operate in the years ahead include continued pressure on resources of this agency and in all state agencies, increasing demands for information to support both improved accountability and the debate about state spending priorities, the pressure to review, simplify, and improve on business practices and controls, and the need to introduce information management solutions to support and streamline work.

The department's strategic direction focuses on ways to improve the financial management of the state in the context of these external factors. These strategic directions include continued commitment to the Statewide Systems Project, an emphasis on accountability through the performance budget approach developed for the Governor's biennial budget, and a commitment to customer service and performance management. In addition, the department has begun to simplify or eliminate unneeded processes or controls and has acknowledged the need for smarter strategies for getting work done including cultivation of collaborative opportunities with other agencies.

AGENCY: Finance, Department of
(Continuation)

The work of the department continues to focus on sound financial management, production of the state's economic forecast, development of the states capital and operating budget, and managing the state's financial accounting systems.

AGENCY BUDGET PLAN:

The Department of Finance plans to maintain its current level of top priority services through a number of restructuring efforts and cost reductions. The restructuring efforts are designed to make agency operations more efficient, hold agencies more accountable for maintaining internal accounting controls and reduce effort on the lowest priority activities. Cost reductions are anticipated in specific areas and also are reflected in the agency management decisions. All of these actions are explained in greater detail on the budget program pages. The cost implications of these decisions are reflected in the budget projections. A summary of these decisions and their cost implications by program follows:

Accounting Services:

Numerous improvements in the Accounting Services Program have allowed the department to lower staffing costs in a number of areas. Part of these improvements will be the expectation that state agencies will be held accountable for maintaining internal accounting controls. Since staff reductions could result in decreasing the Department of Finance's direct financial control of agencies, emphasis will be placed on enhancing the quality of controls within agencies. In this way the integrity of the state's finances can be maintained. In addition, investments in technology have permitted improvements in daily operations. The program also reorganized one of its units eliminating 2 supervisory positions. Finally, lower computer rates realized in the past and anticipated in the next biennium will also lower data processing costs.

Budget Analysis and Operations:

Lowering the effort on lower priority activities allow the consolidation of certain agency assignments for Executive Budget Officers. Further, reorganization of workloads have allowed tax issues to be effectively monitored and addressed within existing staffing. These changes should allow the program to maintain highest priority activities at lower overall costs.

Management and Administrative Services:

Due to the improvements in office procedures and technology the commissioner's office will be able to effectively function with one less clerical position. In addition, investments in technology and office equipment will allow savings in printing and data processing. Finally, anticipated lower supply costs result from cost savings actions within the Department of Administration.

Summary:

Through holding 15 (currently funded) department positions vacant (in addition to 2.6 unfunded vacant positions) and other cost savings activities the department intends to adequately achieve its mission while constructively working toward the Minnesota Milestone goals. These management actions should allow the department to achieve its top priority activities at an acceptable level of

performance. Detailed descriptions of management actions are contained in the Program level budget pages.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments: a biennial increase above the agency plan level of ~~\$1,500,000 and 2.0~~ \$8,509,000 positions for the Accounts Receivable Project; ~~\$19,000,000 and 7.0~~ positions for the Statewide Systems Project; \$100,000 for the funding of actuarial services; and funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1993			FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ECONOMIC ANALYSIS	268	285	289	289	295	289	289	307	300
ACCOUNTING SERVICES	4,484	4,561	6,628	4,445	4,172	18,718	4,445	4,238	17,011
BUDGET ANALYSIS & OPERATNS	2,699	2,197	2,357	2,370	2,197	2,184	2,370	2,257	2,242
CASH & DEBT MANAGEMENT	291	200	126	127	127	122	127	131	126
MANAGEMENT & ADMIN SERVICES	1,452	1,137	1,310	1,423	1,324	1,302	1,418	1,401	1,378
TOTAL EXPENDITURES BY PROGRAM	9,194	8,380	10,710	8,654	8,115	22,615	8,649	8,334	21,057
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVERNMENT TRUST		24	105	105	105	105	105	105	105
GENERAL	9,184	8,356	10,605	8,549	8,010	22,510	8,544	8,229	20,952
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	10								
TOTAL FINANCING	9,194	8,380	10,710	8,654	8,115	22,615	8,649	8,334	21,057
POSITIONS BY FUND:									
LOCAL GOVERNMENT TRUST		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
GENERAL	129.0	125.0	126.0	126.0	126.0	130.0	126.0	126.0	137.0
TOTAL POSITIONS	129.0	126.0	127.0	127.0	127.0	131.0	127.0	127.0	138.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: FINANCE, DEPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	10,710	10,710	10,605	10,605	105	105		
TECHNICAL ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<2,020>	<2,020>	<2,020>	<2,020>				
DOCUMENTED RENT/LEASE INC/DEC	89	84	89	84				
INSURANCE PREMIUM HOLIDAY	31	31	31	31				
PLANT MANAGEMENT REBATES	20	20	20	20				
1992 SESSION REDUCTIONS	<176>	<176>	<176>	<176>				
SUBTOTAL TECH. ADJ.	<2,056>	<2,061>	<2,056>	<2,061>				
CURRENT SPENDING	8,654	8,649	8,549	8,544	105	105		
AGENCY BASE	8,654	8,649	8,549	8,544	105	105		

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PROGRAM: Economic Analysis
AGENCY: Finance, Department of

PROGRAM PURPOSE:

The Economic Analysis Division provides periodic forecasts of state revenues.

This program contributes directly to the Milestone theme of efficient, responsive governments. The periodic forecasts of revenues produced by the division are used as inputs into the budget process. Sound revenue forecasts contribute to the goal of making government in Minnesota more efficient by reducing uncertainty for public managers and reducing their needs to make short term adjustments in program activities because of unanticipated fluctuations in state revenues. Managers are then free to focus on improving the quality of public services provided Minnesotans. By improving the quality of government, good financial forecasts indirectly affect the ability of all state agencies to achieve all milestone goals.

PROSPECTS:

The U.S. economy is struggling through the fourth year of sub par economic growth. National economic forecasts for 1990, 1991, and now 1992 have all been conspicuously over optimistic. The slower than expected growth has led to revenue shortfalls in most states, including Minnesota. In some states those shortages have been catastrophic. Linkages between the state, national, and international economy are increasing in importance and complexity as we move closer to a true global economy.

Those increasingly complex economic relationships have been accompanied by a more volatile tax structure. Identifying changes in individual tax-payer behavior affecting such items as capital gains, passive losses, deferred compensation, and flexible benefit plans has become an ever larger portion of the task in forecasting state revenues.

Maintaining up-to-date information on the status of Minnesota's economy and revising forecasting models to incorporate the most recent changes in economic data and tax law, coupled with an increasing number of requests from other state agencies and the public for economic data have increased the workload on staff from the economic analysis division.

OUTCOMES:

The division has produced two forecasts each year since 1988. In addition an *Economic Update* which compares actual receipts with estimated revenues and describes recent changes in the economic outlook is produced quarterly. Division staff monitor receipts against the forecast continually to provide early warning of a potential revenue shortfall.

OBJECTIVES:

Forecasts are always wrong. Recognizing that fact, the division's goals are to eliminate all estimating errors not attributable to changes in economic conditions or the tax system, and to quickly identify situations when conditions underlying the forecast have changed in a manner which will

materially affect state revenues.

No readily quantifiable measures of performance output exist for these objectives. The best evaluation possible is a comparison with practices and results in other states, over time. To provide that subjective performance measures the Department will survey bond rating agencies each year, asking for their evaluation of the revenue forecasting activity and suggestions for improvement. The division's objective is to be considered one of the 10 best state revenue forecasting divisions during 1994 and 1995 by the three major bond rating firms.

PROGRAM PLAN:

Revenue forecasts are a key part of the budget preparation process and the Department of Finance will continue to produce those forecasts. The state economist position will remain a half-time, contract position.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPT OF
PROGRAM: ECONOMIC ANALYSIS
ACTIVITY: ECONOMIC ANALYSIS

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	168	175	180	180	187	181	180	193	186
EXPENSES/CONTRACTUAL SRVCS	94	93	107	107	106	106	107	112	112
MISC OPERATING EXPENSES	2	3	2	2	2	2	2	2	2
SUPPLIES/MATERIALS/PARTS	1	1							
CAPITAL EQUIPMENT	3	13							
SUBTOTAL STATE OPERATIONS	268	285	289	289	295	289	289	307	300
TOTAL EXPENDITURES	268	285	289	289	295	289	289	307	300
GOV'S INITIATIVES:									
FUND									
GEN									
(A) SALARY PLANNING ESTIMATES						<6>			<7>
TOTAL GOV'S INITIATIVES						<6>			<7>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	268	285	289	289	295	289	289	307	300
TOTAL FINANCING	268	285	289	289	295	289	289	307	300
POSITIONS BY FUND:									
GENERAL									
GENERAL	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL POSITIONS	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

1994-95 Biennial Budget

PROGRAM: Accounting Services
AGENCY: Finance, Department of

PROGRAM PURPOSE:

The Accounting Services Division provides statewide accounting and payroll systems and services to process, record and report state financial activity. These systems and services incorporate a system of internal controls to assist in assuring compliance with appropriate financial principles, policies and legal requirements.

Division priorities include:

- **Payroll and Accounting Systems Support:** The program schedules and maintains all computer system processing for the Statewide Accounting (SWAS) and Personnel Payroll (PPS) systems. It manages security for the systems, provides user training and makes necessary modifications to the systems as required by law, IRS rules or collective bargaining agreements.
- **Accounting and Payroll Operations:** The program is responsible for maintaining the integrity of the information in SWA and PPS systems. It performs reconciliations and audits transactions to ensure data integrity.
- **Financial Reporting:** The program is responsible for preparing the state's Comprehensive Annual Financial Report and acts as the lead agency in the preparation of the state's portion of the federal single audit report. In addition the program is responsible for forecasting and monitoring cash flow for state operations.
- **Statewide Systems Project:** The Statewide Systems Project was started in September, 1991. This information systems development project will replace the existing personnel, payroll, accounting, and purchasing systems. The project is overseen by the Department of Finance and two other sponsoring agencies, Administration and Employee Relations. Within state government the project has built on broad support and participation by other agencies.

PROSPECTS:

The department has been able to operate the systems, produce payroll and vendor payments, maintain financial controls and provide special reports to users in the past. The current budget constraints dictate that unless the division eliminates lower priorities, it cannot continue to provide this level of service in the future. In recent years, as the department's Statewide Accounting System (SWAS) and Personnel/Payroll System (PPS) have experienced steadily increasing volumes, the department has managed to carry out its responsibilities, in spite of staff reductions. The division has done so by becoming more efficient and by taking advantage of automation, both in the mainframe systems and by using personal computers.

The state depends on its statewide accounting, purchasing and personnel and payroll systems to pay vendors and employees, order needed equipment and supplies, comply with related legal provisions, control spending within budgets, manage the state's workforce, and provide information on the state's financial condition and financial operations. The old systems do not meet these needs. They are cumbersome and inefficient for the users in all state agencies. They are in danger of collapsing.

The lack of adequate resources paired with the increasing demands for system use and functionality, creates a risk of not being able to provide needed information and having to cut back on internal financial controls designed to assure the integrity of the state's financial operations and information.

The Department of Finance, with the co-sponsorship of the Departments of Administration and Employee Relations, and the participation of many other state agencies, has started the project to redesign, and replace or modify, the state's critical statewide business systems. Preliminary work has identified substantial future benefits from changing the way the state does business and implementing new statewide systems.

As more emphasis is put on the use of information to set priorities and to promote management accountability as state government is restructured, systems investment is critical.

The new systems will be flexible, meet both statewide needs and the common needs of individual state agencies, and interface efficiently with other state financial systems. They will also provide managers and other decision makers with the information they need to manage their budgets, human resources, purchasing, and their operations.

OUTCOMES:

The Accounting Services program is committed to managing division activities to produce measurable outcomes of value to all state agencies. This work focuses on a number of areas:

Customer service: The department is currently engaged in a formal, detailed survey that assesses agency satisfaction with the services provided. The exercise also attempts to identify perceived future directions and opportunities the department should be taking. The survey covers all department services including payroll and accounting.

The survey results will identify particular service areas on which to focus in follow up interviews.

Benchmarking Performance and Peer Review: The division has undertaken a project to establish benchmark indicators for some of its key services. Benchmarks enable the program to ascertain how performance compares to other organizations. Generally, in the Accounting Division, this means measuring the resources needed to process documents or collect funds and comparing costs with established performance standards.

The payroll section is the only area that has comparative data. A recent study by KPMG Peat Marwick showed:

<u>Cost to Produce a Payroll Warrant (Check)</u>	
State of Minnesota	\$1.22
Survey of 15 Companies	\$3.22 - \$22.05

The division also produces the state's Comprehensive Annual Financial Report. The document is a summary of the state's financial position at year end and its financial activity during the year. It is used by the financial community and by citizen organizations. Each of the last 7 years the report has earned an unqualified opinion from the Legislative Auditor. The department has also received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. Minnesota was one of five states to receive this award in 1985. Currently 22 states have received this award.

1994-95 Biennial Budget

PROGRAM: Accounting Services
AGENCY: Finance, Department of
 (Continuation)

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
Major control weaknesses reported in audits of the division's statewide systems or operations	None	None	None
Percent of time vendor and payroll warrants produced when scheduled	100%	100%	100%
Percent of time on-line systems are available during working hours	98.5%	98.8%	99.9%

The key question of adequate and sound financial controls is addressed in the first objective. Each year the Legislative Auditor examines the division's procedures and processes and renders an opinion on the adequacy of financial control systems. For the past 3 years the Legislative Auditor has identified no inadequacies in the division's management of controls. Controls include but are not limited to, the post audit payments, balancing of receipts and outstanding warrants with the State Treasurer, and the proper encumbrance of contracts and purchase orders.

Additionally, there are specific production measures that the division tracks. These indicators point to a general increase in volume in recent years.

Examples of Increases in Volumes in Recent Years
 (Percentages are increases over prior year)

	<u>F.Y. 1988</u>	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
SWAS System Transmissions	3.8%	15.8%	11.4%	7.3%	-.8%
Payroll System Transmissions	11.2%	4.0%	17.8%	3.4%	7.1%
Appropriation and Allotment Accounts	9.8%	1.9%	.1%	5.9%	3.0%

Except for F.Y. 1992, the Statewide Accounting System (SWAS) and Payroll System (PPS) have experienced significant increases in volumes.

Increasing transaction volumes result from more use of the systems by agencies, requests for information and new requirements that are becoming more complex.

In F.Y. 1993, the division initiated a project to more carefully track and evaluate performance measures. The project to be completed by June 1993 will expand the number of outcome measures the division tracks.

OBJECTIVES:

A major objective of the department is to improve the management of state government through the redesign of the state's financial management principles, policies, operations and systems. The department has started to work toward this objective and plans to continue to do so in the 1994-95 biennium.

The program objectives for F.Y. 1994-95 include the following:

Statewide Accounting Operations:

- The program will continue to work with agencies to delegate document processing where feasible. Attention will be given to reducing and simplifying accounting methods and procedures.
- The program will continue to meet its internal standards for high quality customer service including responding to assistance and processing all documents within 24 hours, processing all encumbrances within 72 hours.

Payroll:

- The program will continue its efforts to assure that state employees are paid promptly, accurately and efficiently.
- The program will implement changes to the Payroll System as needed to assure all federal and state regulations are adhered to.
- The program will continue to provide high quality service, procedures and controls to maintain the integrity of the payroll and meet the operational and information needs of users.

Financial Reporting:

- The program will continue to prepare the state's Comprehensive Annual Financial Report in accordance with generally accepted accounting principles and will act as the lead agency in the preparation of the state's portion of federal single audit report.
- The program will continue to forecast and monitor cash flow for state operations and will develop simulations of cash flows based on budget options.
- The program will manage the Accounts Receivable project to identify improvements in statewide accounts receivable management.
- The program will implement provisions of the Federal Cash Management Act.

PROGRAM PLAN:

The department must continue to operate the existing statewide accounting and payroll systems, produce warrants (checks) to pay vendors and employees, and comply with increasingly complex legal requirements.

1994-95 Biennial Budget

PROGRAM: Accounting Services
AGENCY: Finance, Department of
 (Continuation)

In order to meet the Governor's budget reduction guidelines and cover cost increases in salaries and supply/expense items, increasing volumes and growing complexities in the systems, the department will reduce salary costs by reducing the number of positions. This will include leaving vacant a number of positions that were recently vacated or that will become vacant prior to or during the biennium, realigning work loads, and redesigning work, including the following items:

1. Review finance controls and eliminate where excessive or duplicative of agency efforts. This may include delegating more authority to agencies for inputting accounting transactions and performing post-audits on a sample basis. Agencies have sought this authority and with the proper training the process can be streamlined.
2. Automate additional calculations and reconciliations. Including arbitrage, daily payment balancing, loans receivable, and outstanding warrants. Also automate the retrieval of warrants and payment documents. The Department has started to develop local PC-based applications that would allow the program to automate formerly manual computations and reconciliations.
3. Amend the law requiring original documents (contracts, etc.) to be stored at Finance. Instead make agencies responsible for storing their own documents when it is more efficient for them to do so and control and accessibility equal to DOF is assured. Delegation of contract management will be on a selective basis to those agencies with capacity to ensure proper control and document storage.
4. Limit equipment inventory record keeping and reconciliations kept for financial reporting purposes and rely on agency records. Currently, the Department of Finance maintains only those inventory records for assets greater than \$10,000. Agencies also are required to maintain these records through the Department of Administration's inventory control systems. In the future the division proposes to rely more heavily on the agency's tracking of assets. The division will provide agencies with reports they need to maintain the accuracy of this data.
5. Eliminate duplication of efforts between the budget and accounting divisions in the verification of annual appropriations. Through the use of the DOF LAN both the Budget and Accounting divisions can access the appropriation control records to ensure full compliance with the appropriation laws.
6. Implement Dispatch for SWAS/PPS report distribution. This will save time and reduce paperwork by bundling reports by agency and allow the program to send agencies only those reports they actually use and want. This system change allows the program to more carefully manage report distribution and match distribution to actual need.
7. Develop on-line tax and warrant distribution transaction. Currently 1.0 full-time position is devoted to this. This will allow state agencies to directly enter employee withholding allowance changes into the state's payroll system. This will eliminate a cumbersome paper process under which withholding change took up to 10 day to complete.

The above actions will allow the program to make the following budget cuts:

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Reduce data processing costs in the accounting and payroll systems as a direct result of number 6 above.	3	3
Hold 10.0 Accounting Services Division positions vacant as a direct result of items 1 through 7 above.	<u>360</u>	<u>371</u>
TOTAL	\$363	\$374
Additional savings resulting from lower Intertech rates	<u>122</u>	<u>154</u>
TOTAL	\$485	\$528

Since staff reductions could result in decreasing the Department of Finance's direct financial control of agencies, emphasis will be placed on enhancing the quality of controls within agencies. In this way the integrity of the state's finances can be maintained.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments: a biennial increase above the agency plan level of \$1,500,000 and 2.0 positions \$8,509,000 for the Accounts Receivable Project; \$19,000,000 and 7.0 positions for the Statewide Systems Project; \$100,000 for the funding of actuarial services; and funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPT OF
PROGRAM: ACCOUNTING SERVICES
ACTIVITY: ACCOUNTING SERVICES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,771	2,802	3,372	2,965	2,772	4,962	2,965	2,870	5,183
EXPENSES/CONTRACTUAL SRVCS	1,292	1,251	2,645	1,144	1,019	12,455	1,144	987	11,089
MISC OPERATING EXPENSES	289	300	441	306	351	445	306	351	421
SUPPLIES/MATERIALS/PARTS	51	89	30	15	15	408	15	15	302
CAPITAL EQUIPMENT	81	119	140	15	15	448	15	15	16
SUBTOTAL STATE OPERATIONS	4,484	4,561	6,628	4,445	4,172	18,718	4,445	4,238	17,011
TOTAL EXPENDITURES	4,484	4,561	6,628	4,445	4,172	18,718	4,445	4,238	17,011
GOV'S INITIATIVES:									
			FUND						
(A) ACCOUNTS RECEIVABLE PROJECT			GEN			4,640			3,869
(A) SALARY PLANNING ESTIMATES			GEN			<94>			<96>
(P) STATEWIDE SYSTEMS PROJECT			GEN			10,000			9,000
TOTAL GOV'S INITIATIVES						14,546			12,773
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,484	4,561	6,628	4,445	4,172	18,718	4,445	4,238	17,011
TOTAL FINANCING	4,484	4,561	6,628	4,445	4,172	18,718	4,445	4,238	17,011
POSITIONS BY FUND:									
GENERAL	70.0	69.0	69.0	69.0	69.0	73.0	69.0	69.0	80.0
TOTAL POSITIONS	70.0	69.0	69.0	69.0	69.0	73.0	69.0	69.0	80.0

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Finance, Department of
 PROGRAM: Accounting Services
 ACTIVITY:

ITEM TITLE: Accounts Receivables Initiative

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Expenditures: (\$000s)				
General Fund				
- State Operations	\$4,640	\$3,869	\$3,385	\$3,385
Revenues: (\$000s)				
General Fund	\$9,755	\$29,106	\$16,191	\$13,300
Other	\$8,919	\$24,484	\$8,627	\$8,627

Statutory Change? Yes X No _____

If yes, statute affected: Various - To be determined.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$8,509,000 to implement the statewide Accounts Receivable Project recommendations. The investment is expected to return \$38,861,000 to the General Fund in 1994-1995.

PROGRAM OUTCOMES:

This initiative will improve collection of current receivables and reduce past due balances through improved collection practices. The approach is built around improved management practices, reformed procedures, and better use of existing collection tools. This initiative will allow the state to better manage its collection efforts and hold agencies more accountable.

LONG-TERM IMPACT:

The recommendations proposed in this initiative are designed to be permanent changes in how the state manages its collections processes. The initiative intends to install sound, proven collection practices across state agencies. The initiative will trace the increased revenues identified here.

BACKGROUND:

The 1992 legislature approved a major initiative designed to improve the state's management of accounts receivable. The project is a cooperative effort between the Departments of Finance, Human Services, Revenue and the Office of the Attorney General. In October, 1992, the project entered into a major competitively bid contract with Andersen Consulting and GC Services.

Andersen and GC staff together with state agency personnel are managing this project. This investment initiative proposes to implement project findings.

The project has undertaken a number of activities including:

1. A current assessment of state practices to identify opportunities for improvement;
2. A survey of state agencies to estimate outstanding accounts receivable balances;
3. A survey of policies and strategies from other states to identify best collection practices that can be adapted for use in Minnesota;
4. Development of a series of recommendations applicable to Minnesota state agencies.

Final project recommendations were completed in February, 1993 and include:

Recommendation 1: Improve current collection practices in state government with the goal of reducing accounts receivable balances and improving collections.

The Department of Finance will take the lead in developing statewide receivable and collection procedures, developing monitoring and reporting standards, identifying incentive strategies, and revising the bad debt write-off procedure. These efforts will result in procedures and standards that are sensitive to differences across individual agency programs. The state will develop procedures for current collection improvements impacting the General Fund and Non-General Fund activities.

All of these efforts are intended to support agency performance and promote accountability. They are designed to increase collections through better management practices, not through policy changes. The key departments in which current collection will increase are the Departments of Jobs and Training, Revenue, Human Services, and the higher education systems.

The key component through which state departments will be held more accountable is the agency's debt qualification plan. These plans will be jointly developed between the Department of Finance and the individual agencies. A qualification plan will be developed for each collection activity within an agency. The plan will articulate standards, guidelines, and procedure steps for resolving debts and obligations owed the state. The plan will contain timeframe and collection goals as well as indicate at which point the debt should be handed-off to the collection entity or written off.

Additionally, under the first recommendation agencies will better manage collections by applying the new statewide standards, by improving debtor education, and by better use of existing enforcement tools. This recommendation also identifies the likely collection increases resulting from additional staffing.

Recommendation 2: Establish a staged collection service within state government.

The staged collection entity will be support service to state agencies and act as a centralized point with responsibility for follow-up collections on qualified debt. The entity will work closely with the Department of Finance and state agencies to implement the first recommendation. The principal work of the entity will be to follow-up on debts due the state that have been referred to the entity by state agencies. The collection entity will use collection tools such as skip-tracing, centralized calling systems, and consolidated records to track debts owed by the same person or firm. Finally, the entity will act as a clearinghouse for information on debtor assets.

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Finance, Department of
 PROGRAM: Accounting Services
 ACTIVITY:

ITEM TITLE: Accounts Receivables
 (Continuation)

Under this initiative state agencies will have individualized qualification plans reflecting the specific nature of their activities. Agencies will choose to use the collection entity at different points in the process; hence, the concept of a "staged" service.

Recommendation 3: Development of an initiative to address the issue of older receivables. Typically, agencies pursue collection of the most recent debt. This recent debt has the highest pay-off. Concurrently, collection activity around older debt decreases. The project recommends putting together a one-time initiative to resolve these older accounts allowing agencies to concentrate on higher payoff debt. The initiative would use private collection agencies under contract to the state.

Recommendation 4: Development within the Office of the Attorney General of additional legal resources to support agencies and the staged collection entity. In the project's current assessment of state agency activity, many agencies commented that they do not have access to specialized collection legal support. This recommendation addresses legal support of collection and enforcement activity for all accounts receivable throughout the state and is intended to improve responsibility for protecting the state's rights as a creditor.

The personnel resources identified in this recommendation, would be available to all state agencies and the collection entity for legal assistance in collection matters. They would represent the state in various legal proceedings and otherwise protect the state's right as a creditor. In addition to the conventional lawsuit seeking a judgment that money is owed to the state, such proceedings could include bankruptcies, supplementary proceedings and fraudulent transfer action.

Finally, under this recommendation, the staff of the Office of the Attorney General would work closely with the Department of Finance to develop a statewide legal strategy and policy to handle the variety of collection matters faced by the state. This strategy would include identification and effective implementation of existing legal remedies available to the state as well as ongoing identification and crafting of appropriate legislative changes that would enhance the state's rights as a creditor.

Budget Initiative:

The overall goal of the budget initiative is to put together a strategy that provides needed resources for key components of the project strategy. Each of these key components is addressed below:

1. The first part of the Accounts Receivables Initiative builds on Recommendation 1 and is designed to improve current collection across all state agencies. The recommendation commits additional resources to the Departments of Finance, Revenue, Human Services, and Jobs and Training. A General Fund investment of \$2.6 million realizes benefits of \$14.7 million.

	Dollars in Thousands		
	F.Y. 1994	F.Y. 1995	TOTAL
<u>Expenditures</u>			
Department of Finance	\$288	\$228	\$516
Department of Revenue	580	580	1,160
Department of Human Services	462	412	874
Department of Jobs and Training (Non-General Fund)	<u>47</u>	<u>47</u>	<u>94</u>
TOTAL EXPENDITURES	\$1,377	\$1,267	\$2,644
<u>Benefits - General Fund</u>			
Department of Revenue Collections	\$5,220	\$5,220	\$10,440
Department of Human Services Collections	1,167	2,333	3,500
Other Agencies	127	254	381
Other (FFP) Benefits	<u>219</u>	<u>187</u>	<u>406</u>
TOTAL BENEFITS - GENERAL FUND	\$6,733	\$7,994	\$14,727
<u>Benefits Non-General Fund</u>			
Department of Human Services Collection	\$1,408	\$2,817	\$4,225
Unemployment Insurance Fund	235	235	470
Other - State Funds	<u>481</u>	<u>961</u>	<u>1,442</u>
TOTAL BENEFITS NON-GENERAL FUND	\$2,124	\$4,013	\$6,137

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Finance, Department of
 PROGRAM: Accounting Services
 ACTIVITY:

ITEM TITLE: Accounts Receivables
 (Continuation)

2. The second part of the initiative implementing Recommendation 2 involves the use of a staged collection entity. The Department of Revenue will undertake a leadership role in the development and implementation of the entity. The location of this entity has not yet been determined. The Departments of Revenue, Human Services, Jobs and Training and other state agencies will use the entity to collect aging accounts thereby enabling staff to concentrate on more current accounts with higher paybacks. The state collection entity will be operational in F.Y. 1995. A General Fund investment of \$5.4 million has 2:1 payback in F.Y. 1994-1995. This cost benefit ratio improves in the next biennium.

	Dollars in Thousands		
	F.Y. 1994	F.Y. 1995	TOTAL
<u>Expenditures</u>			
Department of Revenue	\$354	\$104	\$458
Department of Human Services	350	52	402
Department of Jobs and Training (Non-General Fund)	50	47	97
Collection Entity	<u>2,350</u>	<u>2,060</u>	<u>4,410</u>
TOTAL EXPENDITURES	\$3,104	\$2,263	\$5,367
<u>Benefits - General Fund</u>			
Department of Revenue	\$-0-	\$10,075	\$10,075
Department of Human Services	-0-	1,285	1,285
Other Agencies	<u>-0-</u>	<u>80</u>	<u>80</u>
TOTAL BENEFITS - GENERAL FUND	\$ -0-	\$11,440	\$11,440
<u>Benefits - Non-General Fund</u>			
Department of Human Services	\$ -0-	\$2,514	\$2,514
Unemployment Insurance Fund	-0-	1,335	1,335
Other Agencies	<u>-0-</u>	<u>765</u>	<u>765</u>
TOTAL BENEFITS NON-GENERAL FUND	\$ -0-	\$4,614	\$4,614

3. The third major recommendation involves the one-time use of collection agencies to process much older debt obligations due the state. Most of this debt is greater than one-year old and not under active collection. The biennial amount estimated to be transferred to the collection agency is shown by department:

	Debt To Private Collection Service	Revenues to the General Fund
Department of Revenue	\$82,756,000	\$8,578,000
Department of Human Services	370,000,000	9,236,000
Department of Jobs and Training	24,303,000	-0-
Other	11,114,000	93,000

	Dollars in Thousands		
	F.Y. 1994	F.Y. 1995	TOTAL
<u>Expenditures</u>			
Department of Human Services	\$109	\$52	\$161
Department of Jobs and Training (Non-General Fund)	<u>154</u>	<u>104</u>	<u>258</u>
TOTAL EXPENDITURES	\$263	\$156	\$419
<u>Benefits - General Fund</u>			
Department of Revenue	\$2,573	\$6,005	\$8,578
Department of Human Services	2,771	6,465	9,236
Other Agency	28	65	93
Adjustment - DHS Agency Child Support Enforcement	<u>(2,350)</u>	<u>(2,863)</u>	<u>(5,213)</u>
TOTAL BENEFITS GENERAL FUND	\$3,022	\$9,672	\$12,694
<u>Benefits Non-General Fund</u>			
Department of Human Services	\$5,572	\$13,003	\$18,575
Unemployment Insurance Fund	861	2,009	2,870
Other Agency	<u>362</u>	<u>845</u>	<u>1,207</u>
TOTAL BENEFITS NON-GENERAL FUND	\$6,795	\$15,857	\$22,652

4. Additional resources are recommended for attorneys in the Office of the Attorney General. The initiative project resources needs of \$147,000 in F.Y. 1994 and \$381,000 in F.Y. 1995. These resources are critically needed to assist agencies and implement the recommendation above.

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Finance, Department of
 PROGRAM: Accounting Services
 ACTIVITY:

ITEM TITLE: Statewide Systems Project

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Expenditures: (\$000s)				
General Fund				
- Development/Implementation	\$10,000	\$7,690	\$3,199	
- Operations (estimate)		1,310	4,953	6,367
Total	\$10,000	\$9,000	\$8,152	\$6,367

Revenues: (\$000s)

General Fund

Statutory Change? Yes _____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$10,000,000 in F.Y. 1994 and \$9,000,000 in F.Y. 1995 and 7.0 positions to continue the project to replace the state's critical statewide accounting, payroll, procurement and human resource information systems.

The Information Policy Office (IPO) has reviewed and supports the Statewide Systems Project as presented in the agency's plan. The department endorses and supports IPO's recommendations concerning project design and management.

The Governor's F.Y. 1992-1993 Biennial Budget proposed that the state undertake a major new information systems investment project to rebuild the state's financial and human resource information systems. The 1991 legislature reviewed the proposal and authorized spending to begin the project.

The Department of Finance, with the co-sponsorship of the Departments of Administration and Employee Relations, and the participation of many other state agencies, has started the project to redesign, and replace the state's critical statewide business systems. Preliminary work has identified substantial future benefits from changing the way the state does business by providing up-to-date business systems to support more efficient, improved services.

The existing systems are old, inflexible, and are built on old technology. They require much manual intervention to operate and use. They do not meet the operational and information needs of state

government. The state needs up-to-date systems to enable it to meet continually changing requirements and to provide needed financial information to the governor, legislature, citizens, management and others. New systems become increasingly important to facilitate management accountability as state government is restructured. The successful development of usable information to support state decision-makers depends upon the replacement of these old systems.

The project has now concluded the planning phase and has issued a Request for Proposal for Software and Professional Consulting Services to develop the systems included in the project, and is in the process of reviewing proposals and beginning negotiations. Contract(s) with winning vendor(s) will be negotiated and are estimated to be completed sometime between December 1992 and February 1993.

The future benefits and savings from this investment initiative in the state's infrastructure business systems are apparent, and are still difficult to measure. The benefits will be spread across all state agencies and will begin to accrue as the new systems are implemented in F.Y. 1994 through F.Y. 1996.

Annual savings, conservatively estimated to total between \$5.7 and \$8 million per year include:

- Improved collection of the state's accounts receivable resulting from the development of an improved statewide accounts receivable billing and management system: \$0.8 - 1.0 million.
- Reduction in prices for the purchase of commodities on contracts negotiated with information, not currently available, on the volume of those state purchases: \$0.9 - 2.0 million.
- Redirecting the resources for developing and maintaining many of the separate agency systems that will no longer be needed when the new statewide systems meet previously unmet agency needs: \$1.2 - 1.5 million.
- Savings in staff time currently spent completing, routing, filing and retrieving paper forms (such as time reports, purchase orders, employee action forms); maintaining manual records; manually entering the same data in more than one system and reconciling data between agency systems and statewide systems (240,000 - 300,000 hours each year): \$2.8 - 3.5 million.

There are also additional benefits to the management of state government and the provision of quality services to the public that are not quantified above. These benefits include:

- Timely, useful information will be available to legislators and managers to aid decision-making and to allow managers to be held accountable for managing their programs.
- Agencies will be able to hire employees and purchase goods and services much faster than they do now, and with less hassle.
- Managers and program staff will be able to spend their time achieving program objectives rather than doing inefficient paperwork.

PROGRAM OUTCOMES:

The state depends on its statewide accounting, purchasing and personnel/payroll systems to pay vendors and employees, order needed equipment and supplies, comply with related legal provisions,

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Finance, Department of
PROGRAM: Accounting Services
ACTIVITY:

ITEM TITLE: Statewide Systems Project
(Continuation)

control spending within budgets, manage the state's workforce, and provide information on the state's financial condition and financial operations. The old systems do not meet these needs very well. They are cumbersome and inefficient for the users in all state agencies.

The new systems will be flexible, meet both statewide needs and the common needs of individual state agencies, and interface efficiently with other state financial systems. They will also provide managers and other decision makers with the information they need to manage their budgets, human resources, purchasing, and their operations.

The project is in the process of reviewing proposals for software and modification services at the time this document is being prepared. The current schedule is for a contract to be signed between December 1992 and February 1993. Cost projections are estimates until negotiations are complete and the contract signed; once that has occurred, the final schedule and costs will be known and this request may require amendments.

The requested funding level supports the following projected schedule of outcomes:

- New accounting and procurement systems will be implemented early in F.Y. 1995;
- Basic personnel and payroll will be implemented late in F.Y. 1995; and
- The human resources system will be completed in F.Y. 1996.

LONG-TERM IMPACT:

The redesign of these 4 statewide business processes and systems is a major project that will take several years to fully implement. The new systems will be designed to serve the state for many years into the future. They will assist state managers and employees to do their jobs, rather than create an administrative burden, as the current systems often do.

These new systems will provide an infrastructure to support increasingly complex demands on the state for information processing and analysis; the objective is to provide flexible systems to meet the needs of multiple stakeholders and to be able to more easily adapt to changes in technology and business practices.

1994-95 Biennial Budget

PROGRAM: Budget Analysis and Operations
AGENCY: Finance, Department of

PROGRAM PURPOSE:

This program serves the Governor and Legislature by (1) coordinating biennial, supplemental, and capital budget development and ensuring the accuracy of the information in the budgets; (2) providing financial reports, forecasts and planning estimates; (3) providing financial analysis; and (4) implementing authorized budgets and budget policy. The program strives to ensure the integrity of all budget-related information and data produced for executive and legislative branch decision makers.

Budget Development: Producing the Governor's biennial, supplemental, and capital budgets is the program's highest priority function. The program implements the Governor's budget and fiscal policies by communicating them to agencies and other governmental units, managing the budget preparation process, coordinating the budget work of all agencies, ensuring the accuracy of the numbers and consistency in style, producing the budget documents, and developing the legislation needed to implement the budget.

Financial Planning and Budgetary Reporting: The program provides policy makers with statewide projections of revenues and expenditures for all operating funds. The program's financial forecasts are relied upon to identify prospective budget shortfalls or surpluses, and its tracking system provides the Governor and Legislature with the information they need to determine when a balanced budget has been established. The program reports the budgetary balances that are established by legislative and executive action.

Financial Analysis: Program staff conduct analyses to: ensure the accuracy of agency estimates of the costs of making changes to current law programs or establishing new programs (fiscal notes); identify areas of budget growth that suggest budget problems exist; ensure that proposed policies and adopted laws incorporate sound financial management principles; and identify additional ways to resolve budget issues beyond those recommended by state agencies.

Staff are regularly expected to develop budget options that will lead to more effective and efficient uses of state resources.

Budget Implementation: The program implements statewide budget policy by ensuring that agency spending plans conform to state laws (both in the amount of the spending and in the purpose for which appropriations were made), identifying emerging budget problems as early as possible so they do not simply become deficiency budget requests, and providing advice to some agencies on certain accounting functions.

PROSPECTS:

This program, like all state agencies and all levels of government, faces the prospect of substantially limited or reduced funding. The budget analysis and operations program must therefore develop a long-term strategy for continuing to provide its essential, core services with constrained resources.

Another change to the program will come from improvements in technology which allow staff to work more efficiently and productively. In the past biennium, the program began using a network of personal computers and a minicomputer to share information more widely, reduce the time it takes to produce work, and perform analyses that would have been unmanageable without such systems. Most of the efficiency gains to be expected from this changeover are already being realized. Future improvements will likely come from emerging software developments.

The most significant technological improvement expected in the coming biennium is the implementation in F.Y. 1995 of a new statewide accounting system. The introduction of a new accounting system will reduce the level of financial control services provided by the Budget Analysis and Operations program because the system will either have financial control mechanisms built in or will be able to produce reports that can readily identify fiscal issues needing to be reviewed.

Finally, the national trend toward performance-based budgeting, including expected requirements within the next 5 years from the Governmental Accounting Standards Board (GASB) for such budget reporting, will continue to require the movement away from input-based budgeting and toward outcome-based budgeting. It will provide further impetus to the administration's commitment to move the budget development process in this direction.

OUTCOMES:

Budget Development: The program initiated a number of budget development improvements in the current biennium. They include initiating a performance-based budget process for developing the F.Y. 1994-95 budget, routinely estimating the long-term costs of proposed budget changes (i.e. tracking budget tails), working with the Department of Administration to develop a new capital budget planning process, and improving the biennial budget system (BBS) so users can work more efficiently with it and can use the reporting capabilities more easily.

For the preparation of the Governor's 1994-95 budget, program staff worked extensively with their assigned agencies and with Minnesota Planning staff to develop performance measures for agency programs and to relate the programs to the Minnesota Milestones indicators. As a result, the Governor's budget includes significantly more outcome measures than did the 1992-93 biennial budget (as indicated below).

Type of Performance Measure	Number of Measures Reported	
	1992-93 Biennial Budget	1994-95 Biennial Budget
Outcome Measures	221	795
Output Measures	594	949
Efficiency or Workload Measures	651	1,015

In addition to these improvements, the department has developed a survey that asks state agencies to assess the services provided by the program. The survey results will be used as a basis for followup interviews with agency staff, and their critiques of the program's services will become the basis for establishing an improvement agenda for the next biennium.

Financial Planning and Budgetary Reporting: In the current biennium, program staff worked with the Governor's Commission on Long-Term Financial Management to develop recommendations for

1994-95 Biennial Budget

PROGRAM: Budget Analysis and Operations
AGENCY: Finance, Department of
 (Continuation)

improving the state's long-term financial planning practices. The program also improved fund balance reporting by developing a third version of the fund balance report (separating state spending into grants, state operations, state institutions, and all other), making certain stylistic changes, and clearly identifying how expenditure planning estimates will be derived. It began to forecast and report on all funds, not just the General Fund. And it expanded the traditional "fee report" into a comprehensive and more coherent "departmental earnings report."

One of the more important measures of the program's success is its ability to accurately project statewide expenditures. The following is a history of forecast accuracy:

	FORECAST VARIANCE *			
	F.Y. 86-87	F.Y. 88-89	F.Y. 90-91	Estimate F.Y. 92-93
Education Aids	(1.8)%	(3.4)%	(0.1)%	(0.2)%
Property Tax Credits & Refunds	0.1	0.6	(2.2)	(2.1)
Income Maintenance Programs	5.9	(1.0)	(13.4)	(0.2)
Local Government Aid	0.0	(0.1)	1.3	0.1
Debt Service & Short Term Borrowing	20.5	(8.7)	1.6	(6.6)
Total	0.3%	(2.3)%	(1.8)%	(1.2)%

* Negative variances mean actual spending exceeded the forecast. Positive variances mean actual spending was less than the forecast.

Financial Analysis: Significant analytical work accomplished during the current biennium includes: (1) a study of the capital budgeting process which culminated in a capital budget reform proposal, (2) a separation of state government expenditures into grants and operations and their reporting in a new version of the General Fund balance, and (3) a study of statewide cash flows in order to identify ways to minimize the size of the required cash flow account. The program also developed a paperless fiscal note tracking system with significantly enhanced fiscal note tracking capabilities.

Budget Implementation: The program initiated 2 significant improvements during the current biennium: (1) delegating to agencies the authority to input departmental budgets into SWA for dedicated and non-dedicated receipts and all expenditure allotments, and (2) devoting additional resources to the task of reviewing statewide indirect cost allocation policies and collection methods in order to correctly recover indirect costs from the federal government.

The program's success in ensuring that state spending conforms to law and state budgeting practices are being followed can be measured by reviewing the number of audit findings reported by the Legislative Auditor in its annual audit of Department of Finance compliance with legal financial requirements. In its audits of DOF for F.Y. 1989 and 1990, the Legislative Auditor cited the budget analysis and operations program for not appropriately monitoring agency compliance with indirect cost requirements. In its F.Y. 1991 audit of Finance, the Legislative Auditor reported no findings.

ACTIVITIES:

In this section, certain efficiency and workload measures are identified for the program to illustrate the program's changing service costs and production levels.

	F.Y. 1991	F.Y. 1992	F.Y. 1993	Estimate F.Y. 1994	Estimate F.Y. 1995
No. of budget staff (FTEs)	32	33	31	30	30
Percent of staff time spent on:					
Budget Development	48%	41%	48%	45%	50%
Financial Planning & Budgetary Reporting	11	10	11	10	10
Financial Analysis	20	24	19	25	20
Budget Implementation	21	25	22	20	20
No. of fiscal notes reviewed	570	444	650	350	500
No. of LAC items reviewed	79	100	86	34	34
No. of legal level of control points	754	693	693	650	650
No. of Agencies/No. of budget staff	4.6	4.5	4.6	4.8	4.8
No. of APIDs/No. of budget staff	98	102	109	113	113
Indirect costs recovered	\$11.1M	\$10.0M	\$10.6M	\$10.9M	\$11.4M

OBJECTIVES:

The program's objectives for F.Y. 1994-95 include the following:

Budget Development:

The program will focus its staff effort on continued progress in outcome-based budget development. The program is committed to increasing the number of outcome measures reported in the biennial budget and improving their quality, relevance, and reliability. For the preparation of the 1998-99 biennial budget, the budget analysis and operations program expects that one-half of all performance measures reported will be outcome measures.

The program will make certain segments of the agency budget preparation process easier and more efficient by continuing to improve the biennial budget system and devoting additional time and resources to streamlining budget development procedures.

The program will continue to improve the capital budget process by producing a long-term strategic budget plan for consideration by the 1994 Legislature.

Financial Planning and Budgetary Reporting:

The program will implement those recommendations of the Governor's Commission on Long-Term Financial Management that can be implemented without statutory change. These include developing a 6-year financial plan and budgeting using a baseline budget process. The program

PROGRAM: Budget Analysis and Operations
AGENCY: Finance, Department of
 (Continuation)

will propose statutory changes necessary to implement the other recommendations of the Commission, namely, separating the budget and cash flow reserve account into 2 accounts - cash flow account and budget reserve, establishing criteria for the use and restoration of the budget reserve, establishing a procedure by which the Governor presents and the Legislature adopts a long-term financial plan for the state, and strengthening the Governor's unallotment authority.

The program will continue to improve its expenditure forecasting capabilities by devoting more time to the analysis of expenditure forecast variances and by convening semi-annual meetings of all state agency staff who have responsibility for portions of the expenditure forecasts to discuss forecast methods, models, data sources or unusual problems.

Financial Analysis:

The program has revised its biennial fee report (renamed the "departmental earnings report") so that it will include all agency non-tax revenue. With the data base being created to support this report, the program will be able to tie numbers in the departmental earnings report to numbers in the fund balance and budget documents. The program will also be able to properly categorize departmental earnings by revenue type and expenditure function.

The program will improve the fiscal note process by continuing to work with legislative committees to identify bills moving through the committees with high priority and to expedite those fiscal notes that are needed as soon as possible. Further system modifications will enable agencies to input narrative more easily and navigate within the system more quickly.

Budget Implementation:

The program will continue to implement changes to the way it applies financial management controls and establishes accountability. The program will reduce the number of levels of financial control by delegating some financial management responsibilities to agencies and by using computer technology to provide financial control oversight. It will also eliminate financial control requirements where they add little value, continue to decentralize the input of budgets into the accounting system, make the agency spending plan process paperless with the introduction of a new statewide accounting system, and strengthen the state's accounting and budget processes for indirect costs in order to collect the appropriate level of federal reimbursements.

PROGRAM PLAN:

In order to manage within the targeted funding level, the department will reduce salary costs by reducing a number of positions. This will include leaving positions vacant that were recently vacated. The department will also realign work loads and redesign work to ensure that essential budget services are continued and lower priority services are de-emphasized. The program recommends the following actions:

Manage budget workload differently:

- Provide budget services to groups of small agencies. The program will reduce its workload by providing budget services to a combined administrative staff unit supporting many small agencies. In this way, the Department of Finance (DOF) budget staff will work with 1 or 2 representatives of combined small agencies rather than with staff from each small agency. The Governor's 1994-95 budget contains 2 such consolidation proposals, reducing the number of administrative contacts from 30 to 2.
- Begin setting up agency financial plans and allotments for 2 years at a time. Allowing agencies to enter 2 year financial plans and allotments in the accounting system would make agency workloads more manageable (the second year's data would be entered when time became available during the first year) and it would encourage agencies to more explicitly consider the second year impact of management decisions made in the first year. This cannot be accomplished until the new accounting system is in place because the current accounting system cannot handle an additional year of spending data.
- Manage peak workloads within the division. In order to continue to provide essential budget services during periods of exceptionally heavy workload demand, the program will temporarily shift staff assignments to accommodate and concentrate on only high priority projects.

Enhance agency accountability:

- Clarify DOF's role in fiscal note process. The program will continue to work with legislators and committee staff to sufficiently manage the volume of fiscal notes being requested. Doing this will ensure the integrity of the fiscal information generated, enable agency program staff to be held accountable for meeting deadlines for completing fiscal notes, and reduce the time DOF staff spend trying to get agencies to complete fiscal notes and explaining to legislators and legislative staff why fiscal notes have not been completed.
- Eliminate Executive Budget Officer review of gift acceptance forms. Agencies are currently required to secure EBO approval before accepting gifts valued at more than \$500. Yet, requiring EBO review of gift acceptances adds no observable value to the state's determination that gifts will benefit the state and conform to agency objectives. Therefore, the program proposes removing EBOs from the gift acceptance review process.

Better focus the Legislative Advisory Commission (LAC) process:

- Eliminate LAC review of federal funds. Federal funds becoming available between legislative sessions amount to less than 2% of the total federal funds received and spent by the state, yet they receive an inordinate amount of scrutiny compared to the attention given to the other 98% of federal funds included in the biennial and supplemental budgets. Since policy notes are required for all federal fund requests and are reviewed by DOF budget staff, and since the Commissioner of Finance is authorized to deny federal fund requests, the department proposes to eliminate the requirement that federal funds made available to agencies between legislative sessions be reviewed by the Legislative Advisory Commission.

PROGRAM: Budget Analysis and Operations
AGENCY: Finance, Department of
 (Continuation)

- **Eliminate LAC review of IRRRB requests.** Currently the Legislative Advisory Commission reviews selected IRRRB funds although the Legislature does not appropriate the funds financing the agency's programs. DOF staff review IRRRB requests for compliance with IRRRB and LAC procedures, forward the requests to the LAC, and staff the LAC meetings, without providing any substantial analytical review of the requests. Yet the review is cumbersome, time-consuming, and often contrary to expeditious action on proposals financed by the IRRRB. As a practical matter, the LAC review has not changed any of the agency's funding proposals. Elimination of LAC review will streamline the agency's ability to achieve its mission and eliminate an unproductive workload created by the current review process.

Enhance agency flexibility:

- **Remove DOF from the review process for the hiring of new managers.** For the 1992-93 biennium, DOF and DOER were required to review and approve the filling of any state manager position. Since the budget staff's review adds little additional value to the hiring process, the program proposes to remove Finance from the process, leaving DOER and the affected agency to agree on an agency's staffing needs.
- **Replace complement control with FTE reporting.** Salary budgets have been systematically constrained in past years and are likely to continue to be well into the future. As a result, complement control has become a duplicative and burdensome control feature that only rarely has any real effect. Since the complement control system cannot be relied upon to provide accurate information on state employment, DOF proposes to replace it with actual FTE reporting on a quarterly basis. Reports would be provided at the agency and program level for all funds.
- **Establish permanent carryforward authority for agency administrative accounts within a biennium.** In order to allow agencies more freedom to manage their budgets for a full biennium, DOF proposes to revise M.S. 16A to provide agencies with the authority to carryforward unencumbered non-grant funds from the first year of the biennium to the second.

Restructure financial oversight responsibilities:

- **Remove EBOs from the 16A.15 signoff process.** When an agency makes a commitment to spend money before an encumbrance has been established in the accounting system, the agency must notify Finance of the accounting violation and Finance must review the issue to determine whether the obligation was for a necessary and proper state purpose. Currently, both Finance's executive budget officers and encumbrance center staff review and sign off on these obligations. The program proposes to remove EBOs from this process. Finance's encumbrance center will continue to be notified of violations by the agencies and will review them to assess their validity.

The above actions will allow the department to make the following budget reduction:

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Salary savings due to workload consolidation	144	149
Salary savings due to reorganization	51	53

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates, and a biennial increase above the agency plan level of \$100,000 for the purchasing of actuarial services.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPT OF
PROGRAM: BUDGET ANALYSIS & OPERATNS
ACTIVITY: BUDGET ANALYSIS & OPERATNS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,779	1,940	2,141	2,154	1,977	1,914	2,154	2,037	1,972
EXPENSES/CONTRACTUAL SRVCS	618	122	150	150	151	201	150	151	201
MISC OPERATING EXPENSES	18	20	30	30	32	32	30	32	32
SUPPLIES/MATERIALS/PARTS	113	36	36	36	37	37	36	37	37
CAPITAL EQUIPMENT	171	79							
SUBTOTAL STATE OPERATIONS	2,699	2,197	2,357	2,370	2,197	2,184	2,370	2,257	2,242
TOTAL EXPENDITURES	2,699	2,197	2,357	2,370	2,197	2,184	2,370	2,257	2,242
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<63>			<65>
(B) ACTUARIAL SERVICES COSTS			GEN			50			50
TOTAL GOV'S INITIATIVES						<13>			<15>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVERNMENT TRUST		24	105	105	105	105	105	105	105
GENERAL	2,699	2,173	2,252	2,265	2,092	2,079	2,265	2,152	2,137
TOTAL FINANCING	2,699	2,197	2,357	2,370	2,197	2,184	2,370	2,257	2,242
POSITIONS BY FUND:									
LOCAL GOVERNMENT TRUST		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
GENERAL	34.0	34.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
TOTAL POSITIONS	34.0	35.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0

F. Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Department of Finance
PROGRAM: Budget Analysis & Operations

ITEM TITLE: Actuarial Services Costs

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$50	\$50	\$50	\$50

Statutory Change? Yes No

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund biennial appropriation of \$100,000 to the Commissioner of Finance for purchasing actuarial services. These funds will be used to purchase professional actuarial, consulting services.

BACKGROUND:

Good policy decisions require good information. To either develop or evaluate proposals in the pension policy area, the executive branch must have the capability to accurately project liabilities and costs. Minnesota public employer retirement contributions in F.Y. 1992 were approximately \$514 million. This is clearly a policy area where a small, up-front investment to obtain better information can produce significant fiscal benefits. The Health Insurance and Workers' Compensation programs for the State of Minnesota alone project \$450 million in claims expenditures for the 1994-95 biennium. Actuarial analysis is likewise needed on occasion in this area for policy-making and budgeting purposes.

For pension issues, costing out proposals with accuracy can only be done through use of data on current active and retired members, with statistical models that incorporate the multiple provisions in law on benefits and funding, along with raw data on member demographics, years of service, and compensation for each retirement plan. The specialized knowledge of practitioners of actuarial science as it relates to retirement matters is also required in order to produce accurate and reliable forecasts on the cost and incidence of any changes being considered by the Governor, Legislature or the retirement funds themselves.

Analyses for health insurance cost projections similarly require extensive data analysis, though the variables of interest, and determinations of funding adequacy, such as reserves for incurred and reported claims, incurred but not reported, fluctuation reserves, and catastrophic claims reserves require actuarial expertise with health plans that differs significantly with the types of knowledge that apply in the pensions area.

For a small appropriation, both the Executive Branch and the Legislature would be better served in analysis and evaluation of pension and health benefits proposals. Issues that arise in the interim can be discussed with greater assurance of reliable information, and questions that arise while the Legislature is in session can be responded to more quickly and effectively. Discussions and deliberations between the executive and legislative branches on pension matters can be significantly enhanced, and focus on questions of substance rather than variances on estimated costs.

Spending under this proposal will be entirely for contractual/consulting services, and no positions will be funded. Approximately 80% would be for analyses related to retirement issues, and 20% would be for analyses related to health insurance issues. Performance measurement for this activity would require maintaining records on savings attributable to changes in operations or budget recommendations that receive approval from the Legislature. These measures will be tracked over time within the Department of Finance.

1994-95 Biennial Budget

PROGRAM: Cash and Debt Management
AGENCY: Finance, Department of

PROGRAM PURPOSE:

The division establishes banking services for state agencies, accesses the capital markets to provide financing for capital projects and capital equipment and administers the state's tax exempt bonding allocation law. The division also represents the commissioner on several state boards.

PROSPECTS:

1. State agencies will continue to need their existing banking services. Accounts are established for state agencies to deposit receipts. Electronic banking provides an opportunity to improve how the state does its banking. The division has taken a leadership role in the development of electronic data interchange.
2. There are currently \$680 million in authorized but unissued bond authorizations to be financed in future years. Additional bonds are expected to be sold in F.Y. 1993 and in both fiscal years 1994 and 1995. State agencies will continue to purchase capital equipment on a lease purchase basis. Types of capital equipment purchased include computers, cars and trucks, and office furniture.
3. The dollar amount of the tax exempt bonding allocation will remain at approximately \$218 million per year. The number of applications received is expected to increase about 5%-7% per year. It is expected that federal tax law authorizing the issuance of single family mortgage bonds and industrial revenue bonds will be extended through calendar year 1995.

OUTCOMES:

The division has provided:

1. Banking Services

All bank accounts are competitively bid every bid 3 years. Accounts are awarded to banks based upon the lowest cost to the state. The state's revenue and investment accounts were rebid in April, 1992. The rebidding resulted in these accounts being moved to a different bank and the state saving \$370,000 over the 3 year contract period.

2. Capital Market Access

State general obligation bonds are sold by competitive bid.

The Delphis Hanover Scale is a daily index of tax exempt bond interest rates for each bond credit rating. The table below shows a comparison of the average rate to investors on the state's bonds compared to the Delphis Hanover rates on AA+ and AA bonds on the date of the bond sale.

	(\$ in Millions) Amount	State's Coupon Rate	Bond Rating	Investors' Rate	Delphis Hanover Scale	
					AA+	AA
August, 1989	225	6.64	Aa/AA+	6.52	6.55	6.65
July, 1990	200	6.90	Aa/AA+/AA+	6.77	6.75	6.85
August, 1991	195	6.55	Aa/AA+/AA+	6.44	6.45	6.55
July, 1992	140	5.94	Aa/AA+/AA+	5.87	5.82	5.92

The Master Lease Program and the individual Lease Purchase financings are all competitively bid with the financing awarded to the bidder with the lowest rate of interest.

	F.Y. 1990	F.Y. 1991	F.Y. 1992
Master Lease	\$14.6 million	\$21.7 million	\$11.3 million
Lease Purchase	\$1.90 @ 7.11 % .27 @ 7.48 % 2.70 @ 7.39 % .19 @ 7.63 %	\$3.25 @ 7.58 % 1.49 @ 6.82 % .27 @ 6.60 % .478 @ 6.96 % .652 @ 6.67 % <u>3.92 @ 6.13 %</u>	\$2.03 @ 6.06 % .10 @ 5.89 % .13 @ 5.89 % .378 @ 5.99 %
	\$5.06 million	\$10.06 million	\$.811 million

The division has developed a new automated debt capacity model to more accurately forecast general obligation bonding capacity.

3. Tax Exempt Bonding Allocation Applications and Allocations (Calendar Year):

Significant time is spent communicating with issuers, bond lawyers and underwriters on rules and procedures for tax exempt bonding allocation and on the status of the tax exempt bonding allocation pool. The division also coordinates with other state agencies and local government officials on proposed changes to the state tax exempt bonding allocation law.

1991 Received 92 applications. Allocated \$217,650,000.

Est. 1992 Have received 87 applications totalling \$153,805,000. Expect to allocate \$217,650,000 by 12-31-92.

OBJECTIVES:

To provide continuous, efficient, effective, banking services. More flexibility will be provided to state agencies on which banks are eligible to become their depository. Also, the division would like to utilize branch banking to provide greater efficiency to the state in its banking operations.

To provide capital financing at the lowest possible cost. The division will continue to provide the credit rating agencies and the credit markets with full disclosure information on the state. Interest rates will be monitored and outstanding general obligation bonds will be refinanced if lower interest rates present opportunities to save money on debt service.

To provide applicants for tax exempt bonding allocation current and accurate information. Federal tax law changes, state tax exempt bonding allocation law changes and the complexity of the state law requires continuous and accurate communications with issuers, bond lawyers and underwriters.

1994-95 Biennial Budget

PROGRAM: Cash and Debt Management

AGENCY: Finance, Department of
(Continuation)

PROGRAM PLAN:

The division will continue to provide banking services, provide financing for capital projects and capital equipment, and will administer the state's tax-exempt bonding allocation, all within its base budget.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPT OF
PROGRAM: CASH & DEBT MANAGEMENT
ACTIVITY: CASH & DEBT MGMT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	277	190	125	126	126	121	126	130	125
EXPENSES/CONTRACTUAL SRVCS	6	1							
MISC OPERATING EXPENSES	7		1	1	1	1	1	1	1
SUPPLIES/MATERIALS/PARTS	1								
CAPITAL EQUIPMENT		9							
SUBTOTAL STATE OPERATIONS	291	200	126	127	127	122	127	131	126
TOTAL EXPENDITURES	291	200	126	127	127	122	127	131	126
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<5>			<5>
TOTAL GOV'S INITIATIVES						<5>			<5>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	291	200	126	127	127	122	127	131	126
TOTAL FINANCING	291	200	126	127	127	122	127	131	126
POSITIONS BY FUND:									
GENERAL	8.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL POSITIONS	8.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

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1994-95 Biennial Budget

PROGRAM: Management and Administrative Services
 AGENCY: Finance, Department of

PROGRAM PURPOSE:

The Management and Administrative Services Program provides both agencywide and statewide services enabling state agencies and the other Department of Finance programs to serve the public (vendors and individuals), the governor and the legislature.

- Agency leadership provides overall strategic direction for the department and primary contact and consultation to the governor and the legislature.
- The internal accounting services ensures timely and accurate processing of all accounting and budget transactions. This function includes paying all the department bills, budget entry, processing of employee expense reimbursements. This area also includes accounting services for over 100 non-operating accounts.
- The Clerical Support Services provides wordprocessing, mail services, receptionist duties, statewide fiscal note coordination, statewide budget preparation, and various technical coordination activities with various agencies relating to the budget preparation process.
- Personnel/payroll ensures all personnel/payroll transactions are entered by deadlines to ensure that all employees are paid accurately and on time.
- The Local Area Network interconnects all department staff for file sharing, electronic mail, spreadsheet and data base work, and wordprocessing. In addition, it connects staff to the RISC 6000 for access to the Biennial Budget System and to the Intertech mainframe. Finally, during F.Y. 1993, the department provided training for its staff in computer technology. This effort both provided staff training and technical assistance in automating many of its day to day functions. These activities should result in more efficiency and higher productivity in the future.
- Office management and administration includes security, training, space management, purchasing, inventory management, telecommunications, legislative liaison, budgeting and control, printing and a host of other administrative activities.

PROSPECTS:

The agency continues to review all of its administrative systems to ensure that they are effective, efficient and meet the department's needs.

Future developments in technology will provide opportunities for improved, less costly and better services and products especially in office automation and implementation of the new statewide accounting and payroll systems associated with the Statewide Systems Project. These latter improvements will be implemented in the second year of the biennium. As appropriate and within funding limits, the division will continue to incorporate these advancements into administrative and office systems.

OUTCOMES:

Performance Standards

The Administrative Services division expects to meet the following:

- 98 % of Agency bills paid within 30 days.
- 100% of Clerical Support Projects completed by deadlines.
- 100% of Employee payroll transactions processed accurately and by deadlines.
- Less than 0.2% unplanned downtime for the Department LAN.
- Employee satisfaction level with Office Management and Administrative Services at least 4.4 (1 being lowest and 5 being highest) as measured by Annual Employee Survey.

Performance Measures

The following describe baseline service levels.

	Actual F.Y. 1991	Actual F.Y. 1992	Estimated F.Y. 1993
1. Agency Accounting Percentage of bills paid within 30 days	99.3%	98.2%	98.5%
2. Clerical Support Services Percentage of projects completed on time	100%	100%	100%
3. Personnel/Payroll Functions Percentage of payroll accurately processed	100%	100%	100%
4. LAN Percentage of time Network is available	N/A	99.8%	>99.8%
5. Office Management Employee Satisfaction as measured by Survey	N/A	4.3	4.4

Cost Effectiveness Measure

A measure of a cost effective service for the division is the ratio of clerical staff to total department staff. The division has a centralized clerical function providing word processing, office reception, filing, and clerical support to a number of departmentwide and statewide processes, e.g. preparation of the governor's budget, coordinating statewide fiscal note processing, preparation of the annual financial report, etc. The division does this with 6 clerical staff for a clerical to staff ratio of 1:19.

1994-95 Biennial Budget

PROGRAM: Management and Administrative Services
AGENCY: Finance, Department of
(Continuation)

OBJECTIVES:

The objectives of the Administrative Services Division are:

	<u>Estimated</u> <u>F.Y. 1994</u>	<u>Estimated</u> <u>F.Y. 1995</u>
1. Agency Accounting: Percentage of bills paid	98.5 %	98.5 %
2. Clerical Support Services: Percentage of projects completed on time	100 %	100 %
3. Personnel/Payroll Functions: Percentage of payroll accurately processed	100 %	100 %
4. LAN: Network available	>99.8 %	>99.8 %
5. Office Management: Employee Satisfaction measured by Survey	4.4	4.5

PROGRAM PLAN:

The program will continue to provide needed departmentwide administrative services. Improvements in technology that the department has already accomplished will allow the department to reduce its clerical support services. Other cost reductions and returns on investment efforts will result in lower non-staff costs. These actions will result in lower costs without reducing service levels. Specific actions are detailed below:

1. The clerical support staff for the commissioner's office will be reduced by one position. This will result in a savings of \$84,000 in the next biennium.
2. In F.Y. 1993 the department will prepay the lease purchase of its copier. This will result in a reduction in the base of \$33,000 in each year of the biennium.
3. Printing, data processing and supply costs will be reduced by \$52,000 in the biennium.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPT OF
PROGRAM: MANAGEMENT & ADMIN SERVICES
ACTIVITY: MANAGEMENT & ADMIN SERVICES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	576	575	741	745	679	657	745	732	709
EXPENSES/CONTRACTUAL SRVCS	380	355	354	463	451	451	458	475	475
MISC OPERATING EXPENSES	100	102	101	101	110	110	101	112	112
SUPPLIES/MATERIALS/PARTS	305	78	71	71	74	74	71	72	72
CAPITAL EQUIPMENT	91	27	43	43	10	10	43	10	10
SUBTOTAL STATE OPERATIONS	1,452	1,137	1,310	1,423	1,324	1,302	1,418	1,401	1,378
TOTAL EXPENDITURES	1,452	1,137	1,310	1,423	1,324	1,302	1,418	1,401	1,378
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES						<22>			<23>
FUND									
TOTAL GOV'S INITIATIVES						<22>			<23>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,442	1,137	1,310	1,423	1,324	1,302	1,418	1,401	1,378
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	10								
TOTAL FINANCING	1,452	1,137	1,310	1,423	1,324	1,302	1,418	1,401	1,378
POSITIONS BY FUND:									
GENERAL	14.0	14.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
TOTAL POSITIONS	14.0	14.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0

1994-95 Biennial Budget

AGENCY: Tort Claims

MISSION STATEMENT:

To pay tort claim judgements against a state agency which cannot be paid from that agency's appropriated accounts.

CLIMATE:

As specified in M.S. 3.736, subdivision 7, a state agency, including an entity defined as part of the state in Section 3.732, subdivision 1, incurring a tort claim judgement or settlement obligation shall seek approval to make payment by submitting a written request to the commissioner of Finance. If the commissioner of Finance determines that the agency has sufficient money in its appropriation accounts, the claim will be paid from these accounts. Otherwise, the payment will be made from the appropriation made to the commissioner of Finance for tort claim payments.

AGENCY BUDGET PLAN:

The budget request is based on the historical trend of tort claim payments.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TORT CLAIMS
PROGRAM: FIN MISC NON OPERATING
ACTIVITY: FIN MISC NON OPERATING

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
MISC OPERATING EXPENSES	1,397	601	1,205	903	903	903	903	903	903
SUBTOTAL STATE OPERATIONS	1,397	601	1,205	903	903	903	903	903	903
TOTAL EXPENDITURES	1,397	601	1,205	903	903	903	903	903	903
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	531	191	415	303	303	303	303	303	303
TRUNK HIGHWAY	866	410	790	600	600	600	600	600	600
TOTAL FINANCING	1,397	601	1,205	903	903	903	903	903	903
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: TORT CLAIMS

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	1,205	1,205	415	415	790	790		
<u>TECHNICAL ADJUSTMENTS</u>								
APPROPRIATIONS CARRIED FWD	<302>	<302>	<112>	<112>	<190>	<190>		
SUBTOTAL TECH. ADJ.	<302>	<302>	<112>	<112>	<190>	<190>		
CURRENT SPENDING	903	903	303	303	600	600		
AGENCY BASE	903	903	303	303	600	600		

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1994-95 Biennial Budget

AGENCY: Contingent Accounts

MISSION STATEMENT:

Contingent accounts are appropriations made from several state funds to provide supplemental funding for emergencies or other stipulated purposes.

The release and subsequent expenditure of this funding requires the approval of the Governor after consultation with the Legislative Advisory Commission (LAC). The LAC provides legislative review of the use of these funds during interim periods when the legislature is not in session.

With the approval of the Governor, supplemental funding for specific purposes is transferred to individual agency budgets, thus expenditure history appears in each agency's budget.

AGENCY BUDGET PLAN:

These appropriations shall be expended with the approval of the Governor after consultation with the LAC pursuant to M.S. 3.30.

It is requested that if an appropriation in this request for either year is insufficient, the appropriation for the other year is available for it.

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
<u>General Purpose Contingent Accounts</u>		
General Fund	\$250	\$250
Workers Compensation Special Fund	100	100
Special Revenue Fund	250	250
Trunk Highway Fund	200	200
Highway Users Tax Distribution Fund	125	125

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: CONTINGENT ACCOUNTS
PROGRAM: NON PROGRAMATIC
ACTIVITY: NON PROGRAMATIC

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
OTHER			1,633	925	925	925	925	925	925
SUBTOTAL STATE OPERATIONS			1,633	925	925	925	925	925	925
TOTAL EXPENDITURES			1,633	925	925	925	925	925	925
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL			307	250	250	250	250	250	250
STATE GOVT SPEC REV			476	250	250	250	250	250	250
TRUNK HIGHWAY			400	200	200	200	200	200	200
HGHY USER TAX DISTR			250	125	125	125	125	125	125
WORKERS COMP SPECIAL			200	100	100	100	100	100	100
TOTAL FINANCING			1,633	925	925	925	925	925	925
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: CONTINGENT ACCOUNTS

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	1,633	1,633	307	307	1,326	1,326		
TECHNICAL ADJUSTMENTS								
BIENNIAL APPROPRIATIONS	4	4	4	4				
APPROPRIATIONS CARRIED FWD	<712>	<712>	<61>	<61>	<651>	<651>		
SUBTOTAL TECH. ADJ.	<708>	<708>	<57>	<57>	<651>	<651>		
CURRENT SPENDING	925	925	250	250	675	675		
AGENCY BASE	925	925	250	250	675	675		

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F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Finance, Non-operating
PROGRAM: Restructuring and Staff Redeployment

ITEM TITLE: Interim Costs of Agency and Staffing Realignments

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,000	\$1,000	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$2,000,000 to the Commissioner of Finance to fund anticipated costs associated with restructuring of agencies and programs, redeployment of staff and systems, and mitigation of any personnel impacts due to reductions in force precipitated by budget actions this Session.

Budget constraints facing the state in the 1994-95 biennium will require reorganization and restructuring of programs in several areas. Some activities will be discontinued or substantially modified. Some service delivery systems will be more centralized, while others will re-emphasize local control. Privatization of some services now provided through the state may also be required.

Centralizing, co-locating or restructuring of programs will involve costs for redeployment of staff and office relocations, both within and across agencies, that cannot be fully known in advance. Where one-time costs of reorganizing, relocation, or reductions in force cannot be met within agency budgets, funds will be allocated by the Commissioner of Finance, with notification of the appropriate committee chairs in the Legislature.

While the Governor's proposed 1994-95 Budget does not contemplate significant reductions in staffing levels, there may be some layoffs. The state should use every option at its disposal to minimize the number of actual layoffs through alternatives as early or phased retirements, or the creation of temporary pools of mobile staff as recommended by the Commission on Reform and Efficiency (CORE).

Where staffing reductions are required, the state is obliged to explore opportunities for humane ways to assist employees through the transition to alternative employment. Development of any such initiatives will require consultation and cooperation with agencies, employees, and exclusive representatives. In conjunction with implementation of CORE Human Resources Management recommendations and upcoming negotiations, the Commissioner of Employee Relations will work with agencies and negotiate where appropriate with exclusive representatives on possible

enhancements in such areas as staff redeployment, retraining, outplacement services, severance provisions, or continuation of benefits. This request anticipates that any changes in areas such as these would have statewide impacts, and any new costs would vary across agencies.

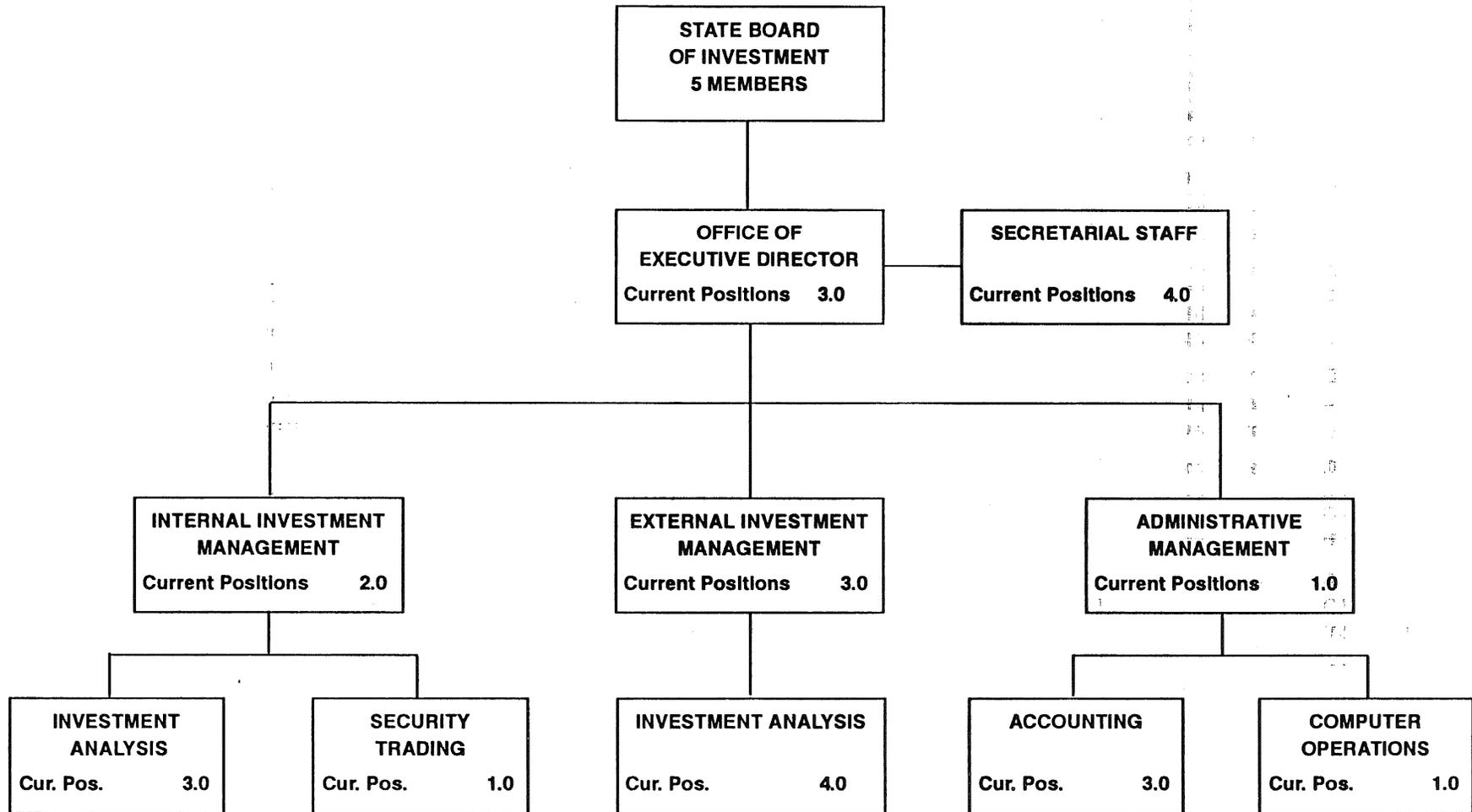
The costs of program restructuring, and any related human resource initiatives would be most effectively met through the recommended appropriation available for distribution by the Commissioner of Finance. Allocations to individual agencies or programs will be determined once the impact of budget actions is known, and information on actual agency budget plans is available.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: RESTRUCTURING AND STAFF REDEPLOYMENT
PROGRAM: NON PROGRAMATIC

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
NON PROGRAMATIC						1,000			1,000
TOTAL EXPENDITURES BY ACTIVITY						1,000			1,000
GOV'S INITIATIVES:			FUND						
(A) ANTICIPATING COSTS OF AGEN/STAFF REALIGNMENTS			GEN			1,000			1,000
TOTAL GOV'S INITIATIVES						1,000			1,000
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL						1,000			1,000
TOTAL FINANCING						1,000			1,000
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

State Board of Investment Organization Chart 7/1/92



State Board of Investment

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	25.0	25.0
Total Permanent Positions	<u>25.0</u>	<u>25.0</u>
TOTAL Positions	<u>25.0</u>	<u>25.0</u>
Employees on 6/30/92	24.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	24.0
TOTAL	<u>24.0</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: State Board of Investment

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$1,879	\$1,883	\$3,762
Forecast Adjustments	<u>\$1,963</u>	<u>\$1,981</u>	<u>\$3,944</u>
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$1,879	\$1,883	\$3,762
Inflation Cost Increase	<u>\$1,963</u>	<u>\$1,981</u>	<u>\$3,944</u>
	66	134	200
Agency Management Decisions			
Data Processing	\$(35)	\$(111)	\$(146)
Equipment Leases	(15)	(12)	(27)
Outstate Travel	(4)	(3)	(7)
Equipment Purchases	<u>(12)</u>	<u>(8)</u>	<u>(20)</u>
Subtotal	<u>\$(66)</u>	<u>\$(134)</u>	<u>\$(200)</u>
TOTAL AGENCY PLAN	\$1,879	\$1,883	\$3,762
	<u>\$1,963</u>	<u>\$1,981</u>	<u>\$3,944</u>
Governor's Initiative			
Salary Planning Estimates	\$(48)	\$(48)	\$(96)
GOVERNOR'S RECOMMENDATION	\$1,831	\$1,835	\$3,666
	<u>\$1,915</u>	<u>\$1,933</u>	<u>\$3,848</u>

2. Impact on Staffing:

None.

F.Y. 1994

0.0

F.Y. 1995

0.0

3. Impact on Revenue Generation:

(Non-dedicated)

F.Y. 1994

\$(43)

F.Y. 1995

\$(43)

F.Y. 94-95

\$(86)

Agency Plan

\$-0-

\$-0-

\$-0-

4. Affected Statutes:

None.

5. Governor's Recommendation

The Governor recommends funding levels as requested in the agency plan except for the following adjustments: A reduction of \$48,000 each year for anticipated savings from the revised salary planning estimates.

Brief Explanation of Agency's Overall Actions:

The State Board of Investment (SBI) will absorb operating inflation within its current base through adjustments to expenditures in data processing, equipment leases and purchases, along with minimizing out-state travel.

REVISED 3-4-93

Revised 3-4-93

PAGE E-235

1994-95 Biennial Budget

AGENCY: State Board of Investment

MISSION STATEMENT:

The State Board of Investment (SBI) develops and implements investment policies and strategies for the state's retirement funds, trust funds and cash accounts. The statutory goal of the SBI is to "establish standards which will insure that state pension assets...will be responsibly invested to maximize the total rate of return without incurring undue risk." (M.S. sect. 11A.01).

The SBI, composed of 5 constitutional officers, provides investment management for the Basic Retirement Funds, the Post Retirement Fund, the Permanent School Fund, Environmental Trust Fund, Assigned Risk Plan, and Supplemental Investment Fund. In addition, the SBI manages Invested Treasurer's Cash and approximately 50 other state cash accounts. On 6-30-92, assets managed by the board totaled \$19.8 billion.

The board retains an executive director, an internal investment management staff, and external investment managers to execute its policies. In performing its duties, the board is assisted by the Investment Advisory Council which is composed of 17 persons with investment and retirement fund expertise.

The SBI staff recommends strategic planning alternatives to the board and council and executes the board's decisions. The staff also provides internal management for the Permanent School Fund and the Environmental Trust Fund, closely monitors the performance of all external managers retained by the board, and reviews prospective investment vehicles for legislative consideration. The majority of the board's activity relates to investment of retirement funds (roughly 85%). Primary clients are the current and retired members of the 3 statewide retirement systems (Public Employees Retirement Association (PERA), Teachers Retirement Association (TRA), Minnesota State Retirement System (MSRS)). For cash accounts, the board's largest clients are the State Treasurer and the Department of Finance.

CLIMATE:

All activities of the board are governed by M.S. Chap. 11A and Chap. 356A. To meet the goals established therein, the SBI must:

- Establish and periodically update the investment objectives, asset allocation and investment management structure for each of the funds.
- Seek and retain superior money managers to manage the assets of each fund.
- Monitor and evaluate investment performance to insure investment objectives are met.
- Assess developments in the broad financial markets and evaluate their potential impact on SBI operations and policies.
- Communicate its investment policies to clients and constituents.

Investment activity is divided into 2 major areas: externally managed and internally managed funds. Each concentration requires different strategies and investment vehicles.

External managed funds. Assets of the Basic Retirement Funds, Post Retirement Fund and the

Supplemental Investment Fund (approximately 35% of the total) are under external management.

The Basic Retirement Funds invest the contributions of public employees and employers during the employees' years of public service. Approximately 312,000 public employees in 8 statewide retirement funds participate in the Basic Funds. The purpose is to function in a fiduciary capacity, investing pension contributions to provide sufficient funds to finance promised benefits at retirement.

The Post Retirement Fund contains the assets of approximately 59,000 retired public employees covered by the 9 statewide retirement plans. Upon retirement, money sufficient to finance fixed monthly annuities for the life of the retiree are transferred from the Basic Funds to the Post Fund. The Post Fund's main purpose is to ensure that each retiree's initially promised benefit is paid. The SBI must insure that assets transferred to the Post Retirement Fund generate sufficient returns to maintain promised benefits and to generate additional returns that will provide benefit increases to retired public employees.

For F.Y.s 1980 to 1992 benefit increases were granted if investment realized earnings exceeded the statutory 5% required income. This formula, with its emphasis on current income, caused the asset allocation of the fund to be highly concentrated in fixed income securities. Starting with F.Y. 1993 benefit increases will be paid using a formula tied to the total rate of return of the fund. This change in formula will enable the asset allocation of the Post Retirement Fund to be more balanced and include a larger percentage of equities.

The Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local employees. It serves a wide range of participants and investment goals, and is, therefore, structured much like a family of mutual funds.

Internally managed funds. The SBI directly invests about 15% of the assets with which it is entrusted. This includes the assets of the Permanent School Fund, Environmental Trust Fund and all money in state cash accounts.

The Permanent School Fund is a trust fund created by the Minnesota State Constitution and designed as a long-term source of revenue for public schools. Income generated by the Permanent School Fund's assets is used to offset state school aid payments. The fund's investment objectives have been influenced by the restrictive legal provisions under which its investments have been managed. Long-run growth in fund assets have been difficult to achieve without seriously reducing current spendable income and exposing the spendable income stream to unacceptable volatility. Currently the SBI maximizes current income by investing all the fund's assets in fixed income securities. The buy and hold structure is not compatible with most active management styles. As a result, internal staff provide the most cost effective management of the fund.

The Environmental Trust Fund was designed to be a long-term source of revenue for funding environmental projects. The fund's investment objectives are driven by the requirement that only fund income may be spent. Currently the Environmental Trust Fund maximizes current income by investing all the fund's assets in fixed income securities. As a result, internal staff provide the most cost effective management of the fund.

State Cash Accounts represent the cash balances in more than 400 separate accounts that flow through the Minnesota State Treasury. These accounts range in size from \$5,000 to over \$400 million, and are invested by SBI staff through 2 commingled short-term investment pools. The

1994-95 Biennial Budget

AGENCY: State Board of Investment
(Continuation)

objectives of these pooled funds are to preserve capital, to provide a high level of current income and to meet the cash needs of state government without the forced sale of securities at a loss. The pools are expected to generate investment income equal to or greater than other money market-type funds.

AGENCY BUDGET PLAN:

In the past biennium the SBI absorbed the inflation cost increases in all areas except salaries. By re-prioritizing expenditures, SBI should again be able to absorb 1994-95 inflationary costs without impacting programs significantly.

By statute, the SBI bills the statewide retirement funds and non-General Fund cash accounts for approximately 90% of its General Fund appropriation. These receipts are deposited in the General Fund as non-dedicated revenue. The General Fund appropriation not recovered by the bill-back provision (approximately 10%) represents the portion of the SBI's budget that is associated with the investment of the General Fund portion of the Invested Treasurer's Cash Fund. Any reduction in spending implies a matching reduction in revenue to the General Fund, and reduced billings to non-General Fund accounts.

PERFORMANCE INDICATORS:

Statutes establish investment goals for the Basic and Post Retirement Funds. In addition, the board has set more exacting standards for investment returns. The following pages demonstrate that short and long-term performance has generally exceeded both statutory requirements and the board's investment performance targets. Returns shown on the following pages are presented net of management fees and investment expenses.

Summary of Investment Results
Period Ending 6/30/92

6/30/92 Millions	Annualized		
	1 Year (%)	3 Years (%)	5 Years (%)
Basic Funds: \$ 8,608			
Total fund	14.5	10.6	9.3
Stocks/Bonds only	14.6	11.0	9.5
Market composite	12.2	9.8	9.0

Summary of Investment Results (Contd.)
Period Ending 6/30/92

6/30/92 Millions	Annualized		
	1 Year (%)	3 Years (%)	5 Years (%)
Median Fund	13.4	11.0	10.0
Inflation (CPI)	3.1	4.2	4.3
Actuarial assumption	8.5	8.5	8.5

Post Fund:	\$7,087			
Realized earnings		9.5	9.6	9.9
Actuarial assumption		5.0	5.0	5.0
Benefit increase		4.5	4.6	4.9
Inflation (CPI)		3.1	4.2	4.3

Summary of Investment Results
Period Ending 6/30/92

6/30/92 Millions	Annualized			
	1 Year (%)	3 Years (%)	5 Years (%)	
Supplement Fund:				
Income Share	\$304	13.1	10.9	9.8
Median Fund		13.4	11.0	10.0
Growth Share	\$ 82	14.7	9.9	7.5
Median manager		13.8	11.5	9.8
Common Stock Index	\$ 24	13.8	10.9	8.9
Wilshire 5000		13.6	10.7	8.6
Bond Market	\$ 12	15.5	11.1	10.6
Salomon BIG		14.2	10.9	10.6
Money Market	\$ 78	5.1	7.2	7.6
91 Day T-Bills		4.6	6.7	6.8
Fixed Interest	\$ 69	6.6	NA	NA
Contract period		91-94 GIC		
Assigned Risk Plan	\$348	13.6	NA	NA
Market composite		12.9	NA	NA
State Cash Accounts:				
Treasurer's Pool	\$2,328	6.7	8.1	NA
Trust Pool	\$ 105	5.4	7.4	NA
91 Day T-Bill		4.6	6.7	NA

F.Y. 1993 F.Y. 1992 F.Y. 1991
Earnings Est. Earnings Earnings

Permanent School	\$ 419	NA	\$33.3 M	\$32.0 M
Environmental Trust	\$ 24	\$2.9 M	\$1.4 M	\$1.2 M

1994-95 Biennial Budget

AGENCY: State Board of Investment
(Continuation)

	Basic Retirement Funds		
	Market Value 6/30/92: \$8.6 Billion		
	Period Ending 6/30/92		
	Annualized	Annualized	
	1 Year	3 Years	5 Years
Total Fund	14.5%	10.6%	9.3%
Stocks, Bonds, Cash Only	14.6%	11.0%	9.5%
Comparisons:			
Market Composite	12.2%	9.8%	9.0%
TUCS Median Fund	13.4%	11.0%	10.0%
Inflation (CPI)	3.1%	4.2%	4.3%
Actuarial Assumption	8.5%	8.5%	8.5%

The Basic Retirement Funds contain the assets of active employees in the 3 statewide retirement systems: MSRS, PERA and TRA. The asset mix of the portfolio on 6/30/92 was 60% stocks, 29% bonds and 11% alternative assets (real estate, venture capital and resource funds).

For F.Y. 1992, the Basic Funds exceeded their market composite index by more than 2 percentage points and outperformed the median fund in the Trust Universe Comparison Service (TUCS) by more than 1 percentage point. Above market performance by both the stock and bond managers contributed to the favorable returns. The Basic Funds ranked in the top third (33rd percentile) of all pension funds for the year.

Generally, performance over the longer-term has been favorable as well. Over the last 5 years, the Basic Funds have exceeded their market index composite by nearly one-half of 1 percent annualized. While the portfolio trailed the median fund over the last 5 years, the latest 1 and 3 year time periods show improved performance relative to other pension funds. The Basic Funds continue to keep well ahead of the inflation rate and have surpassed the actuarially assumed rate of return as well.

	Post Retirement Investment Fund		
	Market Value 6/30/92: \$7.1 Billion		
	Period Ending 6/30/92		
	Annualized	Annualized	
	1 Year	3 Years	5 Years
Realized Earnings	9.5%	9.6%	9.9%
Actuarial Assumption	5.0%	5.0%	5.0%
Benefit Increase Granted	4.5%	4.6%	4.9%
Inflation (CPI)	3.1%	4.2%	4.3%

The Post Retirement Investment Funds contains the assets of retired employees in the 3 statewide retirement plans: MSRS, PERA, TRA. The asset mix of the portfolio on 6/30/92 was 9% stocks, 80% bonds and 11% cash.

Through F.Y. 1992, the statutory retirement benefit increase formula required the fund to generate realized earnings (dividends, interest, and net gain or loss from the sale of securities) in order to provide benefit increases to retirees. As shown above, realized income has been sufficient in recent years to provide benefit increases that were in excess of the inflation rate. In fact, the benefit increases granted were among the highest in the nation. However, as interest rates fell during the 1980's the fund was forced to invest an increasing percentage of the portfolio in fixed income securities in order to maintain high levels of realized income. This diminished the prospect for future benefit increases and reduced the long-term earning power of the fund.

Beginning in F.Y. 1993, the statutory formula will be based on total return and actual market value of the portfolio. The new formula has 2 components:

- An inflation adjustment which will provide 100% of the CPI, capped at 3.5%. This will be provided regardless of investment performance.
- An investment adjustment which will be based on fund returns over a 5-year period. This will be provided only if the fund generates returns above the actuarial assumed rate of 5% and the cumulative value of all inflation based adjustments previously granted.

The new formula, which was sought by the retirement systems and enacted by the 1992 Legislature, will allow the Post Fund to increase its exposure to stocks and will increase the long-term growth of its assets. During F.Y. 1993, the asset mix of the Post Fund will move toward a revised asset mix of 50% stock, 47% bonds and 3% cash.

	Supplemental Investment Fund			
	Period Ending 6/30/92			
	Market Value 6/30/92	Annualized 1 Year	Annualized 3 Years	Annualized 5 Years
Income Share Account	\$304 M	13.1%	10.9%	9.8%
TUCS Median Fund		13.4%	11.0%	10.0%
Growth Share Account	\$ 82 M	14.7%	9.9%	7.5%
TUCS Median Stock Mgr.		13.8%	11.5%	9.8%
Common Stock Index Account	\$ 24 M	13.8%	10.9%	8.9%
Wilshire 5000 Stock Index		13.6%	10.7%	8.6%
Bond Market Account	\$ 12 M	15.5%	11.1%	10.6%
Salomon Broad Bond Index		14.2%	10.9%	10.6%
Money Market Account	\$ 78 M	5.1%	7.2%	7.6%
91 Day Treasury Bills		4.6%	6.7%	6.8%
Fixed Interest Account	\$ 69 M	89-92 GIC	90-93 GIC	91-94 GIC
Interest Rate Obtained		8.400%	8.765%	6.634%

The Supplemental Investment Fund is an investment vehicle available to a wide range of state and local public employee groups for retirement related purposes. The largest participants in the fund are the Deferred Compensation Plan and the Unclassified Employees Retirement Plan.

Overall, F.Y. 1992 was a strong year for the fund. The Growth Share, Common Stock Index, Bond Market and Money Market Accounts all met or exceeded their performance targets for the year, while the Income Share Account slightly trailed its performance objective.

Over the last 3 and 5 year periods, the Common Stock Index, Bond Market and Money Market Accounts have met or exceeded their targets. The small to medium capitalization stock bias in the

AGENCY: State Board of Investment
(Continuation)

Growth Share Account hurt performance over the same periods relative to the median stock manager, but the same bias helped returns in the most recent year. The Income Share Account has a higher percentage of stocks (60%) than many other balanced funds in TUCS. This allocation caused returns to lag other funds by 0.1-0.2 percentage points because bonds outperformed stocks during the last 5 years.

The Fixed Interest Account provides a series of 3-year, fixed interest rate investments in guaranteed investment contracts (GIC's) available through insurance companies and banks. While the fixed rate has fallen over time along with the decline in overall interest rates, the account has consistently obtained rates that surpass the yields on other 3-year instruments.

Permanent School Trust Fund - Market Value on 6/30/92: \$419 Million.
The Permanent School Trust Fund is a trust established for the benefit of Minnesota public schools. Income from the trust is used to offset state expenditures for school aid payments. Due to the state's need for a high, consistent level of current income as well as restrictive statutory accounting provisions, the trust has been invested entirely in fixed income securities. While this investment strategy maximizes current income, it will reduce the long term growth of the Trust.

The 1992 Legislature approved statutory changes, suggested by the SBI, which make common stocks a more attractive investment vehicle for the trust. Stocks will help the trust grow over the long-term because they are a higher returning asset class. Adding common stocks to the portfolio will, however, reduce spendable income over the short-run because stocks produce lower current income than bonds. Converting to an asset mix of 50% stock/50% bonds at this time would reduce spendable income in F.Y.s 1994-95.

<u>Time Period</u>	<u>Income Generated</u>
F.Y. 1992	\$33.3 M
F.Y. 1991	\$32.3 M
F.Y. 1990	\$30.4 M
F.Y. 1989	\$30.5 M
F.Y. 1988	\$28.2 M

Environmental Trust Fund - Market Value on 6/30/92: \$24 Million
The Environmental Trust Fund is to be used to supplement traditional sources of funding for environmental and natural resource activity. The trust will receive a portion of the net lottery proceeds until 2001.

Due to the relatively small balance in the principal of the trust, the portfolio was invested in short-term interest bearing securities throughout F.Y. 1992. Spending commitments made by the Legislature for F.Y.s 1992-93 require the trust to continue to focus on generating current income. As a result, the trust will be invested entirely in fixed income securities throughout F.Y. 1993. The SBI plans to add stocks to the portfolio during F.Y. 1994. Over time, the asset mix of the trust will be targeted at 50% stocks to provide for long-term growth.

<u>Time Period</u>	<u>Income Generated</u>
F.Y. 1993 Est.	\$2.9 M
F.Y. 1992	\$1.4 M

Assigned Risk Plan - Market Value on 6/30/92: \$348 Million
The Minnesota Assigned Risk Plan is the insurer of last resort for Minnesota companies seeking to obtain workers compensation insurance. The plan is administered by the Department of Commerce. Investment management responsibility for the assets of the plan was transferred to the SBI by the Legislature in May 1991.

The investment goals of the plan are to match the projected liability/payment stream as closely as possible and to provide sufficient liquidity/cash for payment of ongoing claims and operating expenses. Due to the relatively short duration of the liability stream, the asset mix of the plan was 15% stocks and 85% bonds during F.Y. 1992. This allocation is reviewed annually upon receipt of new actuarial valuations and will be changed to reflect changes in plan liabilities.

	<u>Period Ending 6/30/92</u>
	<u>1 Year</u>
Actual Return	13.6%
Comparison:	
Market Composite	12.9%

State Cash Accounts
The SBI invests the cash balances in more than 400 separate accounts in the Minnesota State Treasury. These accounts range in size from \$5,000 to over \$400 million. Most of these accounts are invested through 2 pooled funds:

- Trust Fund Pool holds cash balances for retirement related accounts and trust funds that are not managed by external money managers.
- Treasurer's Cash Pool holds the balances in the Invested Treasurer's Cash as well as special or dedicated accounts.

Daily balances for the pools fluctuate widely due to changing cash needs throughout the year. During the F.Y. 1992, the range was \$104 million to \$2.3 billion.

	<u>Period Ending 6/30/92</u>		
	<u>Market Value</u>	<u>1 Year</u>	<u>Annualized</u>
	<u>6/30/92</u>	<u>3 Years</u>	
Treasurer's Cash Pool	\$2,328 M	6.7%	8.1%
Trust'fund Cash Pool	\$ 105 M	5.4%	7.4%
Comparison:			
3 Month T-Bill		4.6%	6.7%

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BOARD OF INVESTMENT

PROGRAM RESOURCE ALLOCATION:	FY 1993			FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
INVESTMENT OF FUNDS	1,793	1,985	1,968	1,963	1,963	1,915	1,981	1,981	1,933
REFUNDS/RETIRE FUNDS	13,774	15,837	19,465	19,465	19,465	19,465	19,465	19,465	19,465
TOTAL EXPENDITURES BY PROGRAM	15,567	17,822	21,433	21,428	21,428	21,380	21,446	21,446	21,398
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,793	1,885	1,968	1,963	1,963	1,915	1,981	1,981	1,933
OPEN APPROPRIATIONS:									
MONEY MGR FIXED INC	3,400	3,700	5,000	5,000	5,000	5,000	5,000	5,000	5,000
MONEY MGR EQUITY	9,044	10,935	12,700	12,700	12,700	12,700	12,700	12,700	12,700
STATUTORY APPROPRIATIONS:									
SUPP INVEST INDEX	1	3	4	4	4	4	4	4	4
STATE SUPPL BOND	1	2	3	3	3	3	3	3	3
SUPP INVEST G I C	8	8	8	8	8	8	8	8	8
AGENCY		100							
MONEY MARKET	20	14	50	50	50	50	50	50	50
MN SUPP RET INCOME	100	100	100	100	100	100	100	100	100
MN SUPP RET GROWTH	200	100	100	100	100	100	100	100	100
MN POST RETIREMENT	1,000	975	1,500	1,500	1,500	1,500	1,500	1,500	1,500
TOTAL FINANCING	15,567	17,822	21,433	21,428	21,428	21,380	21,446	21,446	21,398
POSITIONS BY FUND:									
GENERAL	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
TOTAL POSITIONS	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: BOARD OF INVESTMENT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	21,433	21,433	1,968	1,968	19,465	19,465		
TECHNICAL ADJUSTMENTS								
DOCUMENTED RENT/LEASE INC/DEC	<12>	6	<12>	6				
INSURANCE PREMIUM HOLIDAY	7	7	7	7				
SUBTOTAL TECH. ADJ.	<5>	13	<5>	13				
CURRENT SPENDING	21,428	21,446	1,963	1,981	19,465	19,465		
AGENCY BASE	21,428	21,446	1,963	1,981	19,465	19,465		

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) 5% AGENCY REDUCTION	GEN	<2,344>	<2,344>	<4,688>			
(A) SALARY PLANNING ESTIMATES	GEN	<1,243>	<1,243>	<2,486>			
TOTAL BY FUND	GEN	<3,587>	<3,587>	<7,174>			
TOTAL INVESTMENT INITIATIVES		<3,587>	<3,587>	<7,174>			

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AGENCY: Legislature

MISSION STATEMENT:

The Legislature is 1 of 3 branches (the others are the executive and judicial branches), created by the Constitution of the State of Minnesota. The Legislature consists of the HOUSE OF THE REPRESENTATIVES and the SENATE. In addition, the House and Senate have jointly created various commissions and joint agencies that serve specific purposes described more fully below:

LEGISLATIVE REFERENCE LIBRARY

The Legislative Reference Library (LRL) collects, indexes and makes available information on issues of interest to members and staff of the legislature. Although, the library's main users are from the legislature, LRL also serves executive agencies and the public. State law requires 6 copies of all publications of state agencies, boards, commissions, etc. and 1 copy of all state funded consultants' reports be deposited with LRL. Rules of the House and Senate assign the director a custodial role with respect to the floor and committee tape recordings and accompanying minutes and logs. Public access to these materials is also required by rule.

LEGISLATIVE COMMISSION ON THE ECONOMIC STATUS OF WOMEN

Established in 1976, the purpose is the study of all matters relating to the economic status of women in Minnesota including the economic security of homemakers and women in the labor force, opportunities for educational and vocational training, employment opportunities, the access of women to the benefits and services provided to the citizens of the state, the laws and business practices constituting barriers to full participation of women in the economy, and the adequacy of programs and services for families, including single parent families.

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

The commission was established in 1955 to study and investigate on an ongoing basis, the various public retirement systems applicable to nonfederal government employees in the state and to make recommendations to establish and maintain sound public employee pension legislation.

MISSISSIPPI RIVER PARKWAY COMMISSION

The commission, established in 1963, exists to maintain and improve a parkway system known as the Great River Road. The Parkway follows the path of the Mississippi River from Lake Itasca to the Gulf of Mexico. The commission is also charged to promote tourism and economic development opportunities in the River corridor. The commission coordinates highway and amenity improvements in communities along the Mississippi River. The Commission is also directing state, national, and international marketing efforts with communities, regional organizations and state agencies. This Commission's appropriation is from the State Trunk Highway Fund. The Commission also coordinates closely with the National Parkway Commission of the 10 River states.

LEGISLATIVE COMMISSION TO REVIEW ADMINISTRATIVE RULES (LCRAR)

The commission was established in 1974 to promote adequate and proper rules by State agencies and an understanding on the part of the public respecting them. It may periodically review statutory exemptions to APA rulemaking. It may hold public hearings to investigate complaints with respect to rules if it considers the complaints meritorious and worthy of attention. The commission may request that an agency adopt rules if there is a need for them. The Commission may also suspend a rule by the affirmative vote of at least 6 of its members after it seeks an advisory opinion from appropriate standing committees.

The LCRAR may also provide advice and comment to an agency when the agency elects not to follow the recommendations of the Chief Administrative Law Judge to correct the defects in a rule proposed which the ALJ found not to be needed or reasonable.

LEGISLATIVE COMMISSION ON EMPLOYEE RELATIONS

The commission was established in 1979 and assists the legislature by monitoring the collective bargaining process between the state and its employees, and ratifying negotiated agreements and arbitrated awards pursuant to statute. The commission also reviews and approves the Commissioner's and Management Pay Plans for unrepresented employees of the state who are not covered by collective bargaining units. In addition, the Governor's salary proposal for agency heads is reviewed for ratification in the same manner as the Commissioner's and Management Plan. Other duties include the recommendation to the legislature of a list of state classifications eligible for comparable worth adjustments and a specific amount to be appropriated for those adjustments; the continual monitoring of the State Civil Service System; conduct research and prepare studies as directed and performing such other related functions as are delegated by the legislature.

GREAT LAKES COMMISSION

The commission promotes the orderly, integrated and comprehensive development, use and conservation of the water resources of the Great Lakes Basin, which consists of the 8 Great Lakes states, Canada, and all water interconnections between them.

LEGISLATIVE COMMISSION ON WASTE MANAGEMENT

The Commission, established in 1980, oversees implementation of the Waste Management Act and the solid and hazardous waste management activities of the Office of Waste Management, the Pollution Control Agency the Metropolitan Council and the Department of Administration. The LCWM holds hearings, provides mediation, conducts research and develops legislative recommendations to more effectively manage solid and hazardous waste. The LCWM also publishes an annually updated compilation of Waste Management Laws.

LEGISLATIVE COORDINATING COMMISSION - GENERAL SUPPORT

The commission is designed to coordinate certain activities of the Senate and House of Representatives and serve as an umbrella organization over joint agencies and legislative commissions. It determines the benefits for all employees and health and hospital benefits for legislators. The commission reviews the budgets of legislative commissions and joint agencies and establishes their complements and the compensation for all employees under its jurisdiction. The president of the Senate and the speaker of the House alternate annually as chairperson. The Commission provides

AGENCY: Legislature
(Continuation)

staff support and funds the Redistricting activity of the state, the Compensation Council and the Regent Candidate Advisory Council. Several task forces are funded through the LCC as well as the membership dues for the National Conference of State Legislatures and the Council of State Governments.

LEGISLATIVE COMMISSION OF LONG TERM HEALTH CARE

The commission was established in 1983 to study the following long term health issues:

1. to monitor the inspection and regulation activities, including rule developments, of the departments of health and public welfare with the goal of improving quality of care;
2. to study and report on alternative long-term care services, including respite care services, day care services, and hospice services; and
3. to study and report on alternatives to medical assistance funding for providing long term health care services to the citizens of Minnesota.

The study commission shall consider the use of such alternatives as private insurance, private annuities, health maintenance organizations, preferred provider organizations, medicare and such other alternatives as the commission may deem worthy of study.

LEGISLATIVE COMMISSION ON MINNESOTA RESOURCES (LCMR)

The LCMR budget is located in the LCMR section of the budget document.

LEGISLATIVE COMMISSION ON PLANNING AND FISCAL POLICY

The commission is to study and evaluate the actual and projected expenditures by state government, the actual and projected sources of revenue that support these expenditures, and the various options available to meet the state's future fiscal needs. In 1988, the duties were expanded requiring study and review of particular items and requiring recommendations to the Legislature. In addition to projected state revenue, expenditures and tax expenditures, other subjects include economic and fiscal policy, mix of revenue sources for programs, investigation of state building needs and other related matters.

LEGISLATIVE AUDIT COMMISSION AND OFFICE OF THE LEGISLATIVE AUDITOR

The Legislative Audit Commission consists of up to 16 legislative leaders, 8 from the Senate and 8 from the House of Representatives. The commission appoints a legislative auditor, who supervises a staff that includes divisions of financial audits, and program evaluation. The Office of Legislative Auditor is responsible for auditing all financial matters of state government, for reviewing and evaluating state government programs and for determining compliance with state laws in the use of public funds.

REVISOR OF STATUTES

A nonpartisan professional joint legislative agency providing drafting, publication, and miscellaneous other services to the Legislature, executive departments, and to the Governor. Drafting services consist primarily of bills and administrative rules. Publications consist of Laws of Minnesota, Minnesota Statutes, Minnesota Rules, and miscellaneous minor publications. Other services include computer and administrative support for the Legislature.

LEGISLATIVE WATER COMMISSION

The Commission was established in the 1989 Groundwater Act to review ground and surface water policy in Minnesota. The Legislative Water Commission conducts hearings, reviews, reports and makes recommendations in order to assist the legislature on water related matters. Along with this oversight responsibility, the commission is assigned specific review and study of the following: sustainable agriculture; waste pesticide handling and disposal; acid rain programs and funding; wastewater treatment system funding; methods of reducing consumptive water use; nitrogen use; ag chemical incident funding; water management needs for the year 2000; environmental agriculturalist grants; and the metropolitan water management act.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Legislature to present its budgetary needs directly to the legislature for consideration. However, the Governor budget recommendations anticipates that the legislature will adhere to the same budget constraints and targeted funding levels as state government agencies.

The Governor also recommends that proposed funding be reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE

PROGRAM RESOURCE ALLOCATION:				FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
HOUSE OF REPRESENTATIVES	21,239	20,706	22,729	20,872	20,872	20,872	20,872	20,872	20,872
SENATE	16,041	14,935	17,876	15,509	15,509	15,509	15,509	15,509	15,509
LEGISLATIVE COORD CMSN	7,925	6,547	7,552	7,122	7,122	7,122	7,122	7,122	7,122
LEGISLATIVE AUDIT COMM	3,995	3,711	3,638	3,736	3,736	3,736	3,734	3,734	3,734
SALARY PLANNING ESTIMATES						<1,243>			<1,243>
GENERAL REDUCTION						<2,344>			<2,344>
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	49,200	45,899	51,795	47,239	47,239	43,652	47,237	47,237	43,650
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	48,453	45,740	51,436	46,880	46,880	43,293	46,878	46,878	43,291
HEALTH CARE ACCESS			125	125	125	125	125	125	125
STATE AIRPORTS		12	25	25	25	25	25	25	25
TRUNK HIGHWAY	37	32	32	32	32	32	32	32	32
HGHMY USER TAX DISTR	335								
AGENCY	270								
STATUTORY APPROPRIATIONS:									
GENERAL			48	48	48	48	48	48	48
SPECIAL REVENUE	5								
FEDERAL	10	7							
AGENCY	90	108	129	129	129	129	129	129	129
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	49,200	45,899	51,795	47,239	47,239	43,652	47,237	47,237	43,650
POSITIONS BY FUND:									

GENERAL	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: LEGISLATURE

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	51,795	51,795	51,484	51,484	311	311		
TECHNICAL ADJUSTMENTS								
BIENNIAL APPROPRIATIONS	448	448	448	448				
APPROPRIATIONS CARRIED FWD	<4,202>	<4,202>	<4,202>	<4,202>				
DOCUMENTED RENT/LEASE INC/DEC	50	48	50	48				
INSURANCE PREMIUM HOLIDAY	128	128	128	128				
PLANT MANAGEMENT REBATES	10	10	10	10				
1992 SESSION REDUCTIONS	<990>	<990>	<990>	<990>				
SUBTOTAL TECH. ADJ.	<4,556>	<4,558>	<4,556>	<4,558>				
CURRENT SPENDING	47,239	47,237	46,928	46,926	311	311		
AGENCY BASE	47,239	47,237	46,928	46,926	311	311		

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: HOUSE OF REPRESENTATIVES

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
HOUSE OF REPRESENTATIVES	21,239	20,706	22,729	20,872	20,872	20,872	20,872	20,872	20,872
TOTAL EXPENDITURES BY ACTIVITY	21,239	20,706	22,729	20,872	20,872	20,872	20,872	20,872	20,872
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	21,182	20,650	22,621	20,764	20,764	20,764	20,764	20,764	20,764
STATUTORY APPROPRIATIONS:									
GENERAL			36	36	36	36	36	36	36
AGENCY	57	56	72	72	72	72	72	72	72
TOTAL FINANCING	21,239	20,706	22,729	20,872	20,872	20,872	20,872	20,872	20,872
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: SENATE

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomn.	Current Spending	Agency Plan	Governor Recomn.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SENATE	16,041	14,935	17,876	15,509	15,509	15,509	15,509	15,509	15,509
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	16,041	14,935	17,876	15,509	15,509	15,509	15,509	15,509	15,509
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	16,024	14,908	17,832	15,465	15,465	15,465	15,465	15,465	15,465
STATUTORY APPROPRIATIONS:									
GENERAL			12	12	12	12	12	12	12
AGENCY	17	27	32	32	32	32	32	32	32
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	16,041	14,935	17,876	15,509	15,509	15,509	15,509	15,509	15,509
POSITIONS BY FUND:									

=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: LEGISLATIVE COORD CMSN

ACTIVITY RESOURCE ALLOCATION:	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
LEG REFERENCE LIBRARY	811	828	858	845	845	845	845	845	845
REVISOR OF STATUTES	4,118	3,477	4,301	3,898	3,898	3,898	3,898	3,898	3,898
LEG COORD CMSN CONTNGNT	64	175	39						
CMSN ECON STATUS WOMEN	194	171	172	176	176	176	176	176	176
LEG CMSN ON PENSION/RETIRE	481	419	637	528	528	528	528	528	528
MISS RIVER PARKWAY CMSN	37	32	32	32	32	32	32	32	32
LEG CMSN REVIEW ADM RULES	125	134	131	133	133	133	133	133	133
CMSN EMPLOYEE RELATIONS	85	89	118	104	104	104	104	104	104
GREAT LAKES CMSN	42	41	43	42	42	42	42	42	42
LEG CMSN WASTE MGMT	143	147	138	142	142	142	142	142	142
LCC GENERAL SUPPORT	1,506	663	914	991	991	991	991	991	991
LEG CMSN PUBLIC EDUC	111								
LEG CMSN FISCAL POLICY	115	271	79	135	135	135	135	135	135
LEG CMSN ON WATER	93	100	90	96	96	96	96	96	96
TOTAL EXPENDITURES BY ACTIVITY	7,925	6,547	7,552	7,122	7,122	7,122	7,122	7,122	7,122
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	7,527	6,471	7,345	6,915	6,915	6,915	6,915	6,915	6,915
HEALTH CARE ACCESS			125	125	125	125	125	125	125
STATE AIRPORTS		12	25	25	25	25	25	25	25
TRUNK HIGHWAY		32	32	32	32	32	32	32	32
HGHY USER TAX DISTR	335								
STATUTORY APPROPRIATIONS:									
FEDERAL	10	7							
AGENCY	16	25	25	25	25	25	25	25	25
TOTAL FINANCING	7,925	6,547	7,552	7,122	7,122	7,122	7,122	7,122	7,122

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: LEGISLATIVE COORD CMSN

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
POSITIONS BY FUND:									

=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: LEGISLATIVE AUDIT COMM

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
LEGIS AUDIT COMM	13	12	18	15	15	15	15	15	15
LEGISLATIVE AUDITOR	3,982	3,699	3,620	3,721	3,721	3,721	3,719	3,719	3,719
TOTAL EXPENDITURES BY ACTIVITY	3,995	3,711	3,638	3,736	3,736	3,736	3,734	3,734	3,734
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,720	3,711	3,638	3,736	3,736	3,736	3,734	3,734	3,734
AGENCY	270								
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	5								
TOTAL FINANCING	3,995	3,711	3,638	3,736	3,736	3,736	3,734	3,734	3,734
POSITIONS BY FUND:									
GENERAL	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0
TOTAL POSITIONS	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0

1994-95 Biennial Budget

AGENCY: Legislative Rent

MISSION STATEMENT:

Under M.S. 16B.24, the commissioner of Administration is charged with maintaining and operating capitol complex buildings and grounds. The commissioner is required by M.S. 16B.48 to charge agencies rent to cover costs. In lieu of rent, the legislature appropriates funds directly to the commissioner to cover the costs of space used by the legislature, space occupied by congressionally chartered veterans organizations (M.S. 197.55 to 197.58), ceremonial space such as the capitol mall, and space occupied by Services for the Blind vendors (M.S. 248.07, subd. 7).

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATIVE RENT
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: PLANT MANAGEMENT

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	3,482	3,783	3,748	4,485	4,485	4,485	4,484	4,484	4,484
SUBTOTAL STATE OPERATIONS	3,482	3,783	3,748	4,485	4,485	4,485	4,484	4,484	4,484
TOTAL EXPENDITURES	3,482	3,783	3,748	4,485	4,485	4,485	4,484	4,484	4,484
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,482	3,783	3,748	4,485	4,485	4,485	4,484	4,484	4,484
TOTAL FINANCING	3,482	3,783	3,748	4,485	4,485	4,485	4,484	4,484	4,484
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: LEGISLATIVE RENT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	3,748	3,748	3,748	3,748				
<u>TECHNICAL ADJUSTMENTS</u>								
DOCUMENTED RENT/LEASE INC/DEC	737	736	737	736				
SUBTOTAL TECH. ADJ.	737	736	737	736				
CURRENT SPENDING	4,485	4,484	4,485	4,484				
AGENCY BASE	4,485	4,484	4,485	4,484				

1994-95 Biennial Budget

AGENCY: Military Affairs, Department of

MISSION STATEMENT:

"The Department of Military Affairs is responsible to 1) provide personnel and units that are trained, equipped and supported by facilities to meet all Federal and State missions and 2) be an active participant in community affairs through initiatives and programs that will address the domestic concerns of the citizens of Minnesota."

- The federal mission of the Minnesota National Guard is to be available to augment the active forces in time of war or national emergency with personnel and units trained, qualified and equipped. More specifically, the Army National Guard is continually trained to augment the U.S. Army in time of war or national emergency. The Duluth Air National Guard organization performs its federal mission on a daily basis: Provide detection and interception of hostile forces entering United States airspace. The Twin Cities Air National Guard organization also performs its federal mission on a daily basis: Provides tactical and humanitarian airlifts of personnel and cargo around the world.
- A rather new mission assigned to the National Guard is aiding states in the drug eradication, interdiction and drug demand reduction. In 1992 the federal government provided over \$1,010,000 to the Minnesota National Guard counter drug program. The program supports virtually all law enforcement agencies in Minnesota charged with enforcement of drug laws. Type of support includes reconnaissance, area surveillance, cargo searches, aid to the US Customs Service, intelligence services, transportation, equipment and personnel to augment efforts of law enforcement agencies. In addition, the program will assist in education programs directed toward the youth of Minnesota. Even though personnel and most support costs of this program are purely federal, the program is administered from the state headquarters in St. Paul and uses armories to stage their activities.
- The state mission of the Minnesota National Guard is to provide units that are equipped and trained to support local law enforcement agencies in the protection of life and property and the preservation of peace, order and public safety, under orders of the Governor.
- If the Minnesota National Guard were mobilized for federal service, it could be replaced by a then organized local militia called the State Defense Force. The State Defense Force, under the control of the Governor, would assume the state emergency duties formerly required of the National Guard. Currently, no State Defense Force is in existence.
- The state's responsibility for control of the National Guard requires a heavy investment in training and administrative facilities. The most common and numerous of these facilities is the armory. Due to force reductions in 1992 that resulted in the closing of 12 armories, there are now 60 armories located throughout Minnesota. These have traditionally been made available for use by community organizations and individuals. We intend to invest more of our maintenance and betterment dollars in upgrading those armories to meet required criteria for use as a "public building".

MINNESOTA MILESTONES:

We look at our department and say, "It is a rather unique agency of state government when compared to other agencies. We really don't offer services or programs directly to the citizens of Minnesota." When we looked at the Minnesota Milestones, we were certain that none were written

with the role of the Department of Military Affairs in mind. A more careful look revealed that the department does, in fact, provide programs that support many of the milestones.

- **Families will provide a stable environment for their children:** Transitional military service has had a negative impact on many families. In the Minnesota National Guard we recognize that the "health" of the family has a significant impact on continued and effective service. To this end, we established a statewide family support program for all National Guard units. During Desert Storm, the Minnesota National Guard was responsible for all family support and assistance services for all dependents of all branches of service from Minnesota - they operated from our National Guard armories. Active family support groups continue to exist today in many of our units.
- **Our communities will be safe, friendly and caring:** A major role of the National Guard is to respond to calls for assistance from local authorities. We have been especially proud of our ability to respond to calls during snowstorms, ice storms, floods, and tornados. We try to maintain a local presence wherever possible to minimize our response time. This is becoming more difficult with recent mandate force reductions and continued shrinking state maintenance dollars - 12 armories have been closed in 1992.
- **Minnesotans will have the opportunity to enjoy the state's natural resources:** We have just completed our 2nd year of our innovative youth camp program at Camp Ripley. This program is for children of National Guard members, ages 10-12. The goal of this program is to provide a positive learning experience for "Guard children" in a safe and caring environment and encourage good feelings about themselves and the Minnesota National Guard. The camp is administered by men and women who are members of the National Guard totally on a volunteer basis. A minimum charge of \$50.00 for each camper covers all meals, lodging, insurance and equipment rental fees. National Guard armory facilities are available to cities, schools and other civic organizations for recreational programs for children and adults. Availability is subject to military needs of the National Guard.
- **We will improve the quality of the air, water and earth:** The Facilities Management Office at Camp Ripley has a new, federally supported Environmental Section. Their sole purpose is to ensure that mission related activities of Minnesota National Guard units are in step with environmental concerns.
- **All Minnesotans will have the economic means to maintain a reasonable standard of living:** One of the main reasons Minnesota citizens join the National Guard is the immediate income they receive as well as a generous retirement for those accumulating at least 20 years of service. Although for 95% of Minnesota Guard members that income is for only "part-time" participation, nearly 2,000 derive full-time income as a result of the National Guard presence in the state. Many of those have to be members of the National Guard to hold those positions. The part-time income gained by most members usually requires only 39 days of actual training which allows pursuit of their normal career. This income can range from \$2,000 per year for a young member to as much as \$7,000-\$9,000 for officers with lengthy service. This extra income often enables a person to seek employment in their local community rather than migrate to large metropolitan areas.
- **Rural areas and small cities and urban neighborhoods throughout the state will be economically viable places for people to live and work:** Even with the recent closing of 12 armories, the National Guard is still present in 60 armories, a 53,000 plus acre training site at Camp Ripley and two Air National Guard bases. We still maintain armories in 39 rural and urban locations. Full-time and part-time salaries and local contracts for goods and services contribute significantly to those rural economies. Nearly all those dollars are federal dollars that would not be there if the state failed to adequately support the Guard. All 12 armories that were closed were in rural areas where we have had difficulty in maintaining our strength.

1994-95 Biennial Budget

AGENCY: Military Affairs, Department of
(Continuation)

- **Minnesotans will have the advanced education and training to make the state a leader in the global economy:** Members of the National Guard receive significant amount of technical and leadership training as part of their military service. Many military "job skills" are directly usable in the civilian job market. Commissioned officer and non-commissioned officer training all increase an individuals value to his or her civilian community. In addition to the normal education opportunities available to all who serve, the department offers a program of tuition reimbursement that reimburses guard members, who participate satisfactorily in training, up to 50% of their tuition costs. This can amount to as much as \$1500-\$1800 in assistance that's in addition to assistance from other sources. The program is, in essence, a scholarship program that is currently being utilized to it's fiscal capacity. The story we often hear is that without that assistance "I could not afford to go to college or technical school". Even with federal force reductions, we feel we need to keep our competitive edge with this program.
- **Government in Minnesota will be cost-efficient and will be designed to meet the needs of the people who use them:** Over the last three bienniums, we have looked at every vacancy very carefully to be sure that it is truly needed to efficiently operate the department. We have had to leave positions vacant to fund salary increase and increasing workers compensation costs. We recently abolished 12 of those "salary savings" positions to make advancements to this goal. We have continually tried to maintain our facilities to the same standard with less resources and less than full-time maintenance support.

CLIMATE:

The department's mission statement defines the state's responsibility for custody and control of the National Guard. The vast majority of funding to support the National Guard's federal mission is appropriated in the Defense Appropriation Act each fiscal year. The "peace dividend", although good news for the taxpayer, translates to significant reductions in defense spending to include long term changes and reductions in the force structure. The National Guard is sharing in those changes and reductions which directly reduces the share of the federal defense dollar returned to the state of Minnesota.

- Generally, when force reductions are ordered, corresponding reductions in state support might be expected. We have responded to those expectations by closing 12 armories located in 12 communities in rural Minnesota. A positive note in the armory closing process is that the state's investment in those closed armories is being returned to some of those communities who have decided to buy the armory for \$1.00. They also may apply for a grant of up to \$25,000 to be used for armory improvements to suit their intended purpose.
- We see nothing encouraging from the federal government. More force reductions are pending which we feel are being disproportionately forced on the National Guard. We are continually working with our congressional delegation to make them aware of the fiscal attractiveness of maintaining a National Guard unit when compared to the nearly 300% more dollars required to maintain a like active duty unit. The ability of a National Guard unit to perform it's mission is equal to or better in many cases than it's active duty counterpart.

AGENCY BUDGET PLAN:

We have formulated a budget that deals with the reality that we cannot continue to "do business as usual" with constantly declining available dollars. However, we have chosen to continue to focus

our efforts on maintaining a quality military (and militia) force. This force is our customer and must be trained and available to serve the needs of the nation and now, to a greater degree, the state of Minnesota. Feature of this budget plan, by program are:

Maintenance of Training Facilities

To satisfy past revenue reductions, we chose to defer maintenance, sometimes to the detriment of our facilities and those who work in them. We have often handcuffed our facilities support staff with too few dollars to accomplished their minimal goals. Because a large part of this budget supports National Guard facilities, therein lies the area of greatest opportunity to change the way we do business. Even though we can expect some help from the CAPRA account, we still need to look for ways to more efficiently administer our facilities maintenance, repair and betterment program. Some key areas where savings will be realized are:

- We have decided to leave positions vacant to generate salary savings for workers compensation costs and insurance costs associated with the early retirement incentive program.
- We have initiated a study of the personnel and fiscal impact of locally contracting many of the armory projects now accomplished by our facilities staff. This will likely result in a reorganization of our maintenance staff.
- We have chosen to defer discretionary maintenance and betterment in our armories. The down side of deferment is that it will delay resolution of maintenance problems such as asbestos abatement, underground fuel storage tank removal and bringing some of our older armory in compliance with the American Disabilities Act.

General Support Program

A portion of this program contains dollars that are appropriated to pay personnel and operating costs when the Guard is called to state duty at the request of the governor. If unused, the amount appropriated is returned to the General Fund. In most previous years, less than \$5,000 has been sufficient to support required duty. We have chosen to reduce our base to \$5,000 in each year of the biennium.

Enlistment Incentives Program

We are firmly committed to the fact that the Minnesota National Guard must continue to recruit and retain quality men and women from a declining pool of young people. Demographics play a big part in our ability to maintain troop strength. It continues to be difficult for us to recruit in rural areas because of a much smaller pool of eligible people. Because the Minnesota National Guard is committed to serve the citizens of Minnesota in time of disaster or emergency we need to maintain every advantage we have to help us maintain strength in these areas. To this end, we have chosen not to reduce the base in this program because of the effectiveness of the tuition reimbursement program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: restoring reductions proposed with the agency's plan which would have compromised facility upkeep and lost federal dollars, for an amount of \$944,000 for the biennium; and a reduction in funding due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT

PROGRAM RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MAINT-MILIT TRNG FAC	16,386	16,537	17,691	17,396	17,252	17,592	17,396	17,491	17,833
GENERAL SUPPORT	1,600	1,720	1,502	1,627	1,604	1,587	1,627	1,605	1,587
ENLISTMENT INCENTIVES	1,946	2,366	2,846	2,350	2,350	2,339	2,350	2,350	2,339
TOTAL EXPENDITURES BY PROGRAM	19,932	20,623	22,039	21,373	21,206	21,518	21,373	21,446	21,759
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	9,086	9,701	9,907	9,397	8,925	9,237	9,397	8,925	9,238
STATUTORY APPROPRIATIONS:									
GENERAL	361	427	500	500	500	500	500	500	500
SPECIAL REVENUE	78								
FEDERAL	10,407	10,495	11,632	11,476	11,781	11,781	11,476	12,021	12,021
TOTAL FINANCING	19,932	20,623	22,039	21,373	21,206	21,518	21,373	21,446	21,759
POSITIONS BY FUND:									
GENERAL	137.8	139.1	139.1	139.1	139.1	139.1	139.1	139.1	139.1
FEDERAL	219.6	223.5	223.5	223.5	223.5	223.5	223.5	223.5	223.5
TOTAL POSITIONS	357.4	362.6	362.6	362.6	362.6	362.6	362.6	362.6	362.6

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: MILITARY AFFAIRS,DPT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	22,039	22,039	10,407	10,407			11,632	11,632
TECHNICAL ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<456>	<456>	<300>	<300>			<156>	<156>
BIENNIAL APPROPRIATIONS	68	68	68	68				
APPROPRIATIONS CARRIED FWD	<496>	<496>	<496>	<496>				
DOCUMENTED RENT/LEASE INC/DEC	14	14	14	14				
INSURANCE PREMIUM HOLIDAY	35	35	35	35				
PLANT MANAGEMENT REBATES	19	19	19	19				
1992 SESSION REDUCTIONS	150	150	150	150				
SUBTOTAL TECH. ADJ.	<666>	<666>	<510>	<510>			<156>	<156>
CURRENT SPENDING	21,373	21,373	9,897	9,897			11,476	11,476
FORECAST ADJUSTMENTS								
FEDERAL RECEIPTS	305	545					305	545
SUBTOTAL FORECAST ADJ.	305	545					305	545
AGENCY BASE	21,678	21,918	9,897	9,897			11,781	12,021

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Military Affairs, Department of

Fund: General

General Support Program

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$9,397	\$9,397	\$18,794
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$9,397	\$9,397	\$18,794
Inflation Cost Increase	339	540	879
Agency Management Decisions			
Agency Operations:			
Reduce military emergency support	\$ (70)	\$ (70)	\$ (140)
Hold positions vacant	(292)	(492)	(784)
Reduce armory maintenance	(345)	(337)	(682)
Reduce air base maintenance (25 % state match)	(59)	(63)	(122)
Reduce service contract maintenance (25 % state match)	<u>(45)</u>	<u>(50)</u>	<u>(95)</u>
Subtotal	<u>\$(811)</u>	<u>\$(1,012)</u>	<u>\$(1,823)</u>
TOTAL AGENCY PLAN	\$8,925	\$8,925	\$17,850
Governor's Initiatives			
Restore Agency Reductions	\$472	\$472	\$944
Salary Planning Estimates	<u>(160)</u>	<u>(159)</u>	<u>(319)</u>
Subtotal	<u>\$312</u>	<u>\$313</u>	<u>\$625</u>
GOVERNOR'S RECOMMENDATION	<u>\$9,237</u>	<u>\$9,238</u>	<u>\$18,475</u>

Brief Explanation of Agency's Overall Actions:

Maintenance of Training Facilities

- We will hold positions vacant to generate dollars to fund workers compensation costs and insurance costs for employees who have retired under the early retirement incentive program.
- We have embarked on a project to study the personnel and fiscal impact of locally contracting many of the armory projects now accomplished by our facilities staff. This will likely result in a reorganization of our maintenance staff.

- We will defer discretionary maintenance and betterment in our armories. The down side of deferment is that it will delay resolution of maintenance problems such as asbestos abatement, underground fuel storage tank removal and bringing some of our older armories in compliance with the American with Disabilities Act.
- A portion of this program contains dollars that are appropriated to pay personnel and operating costs when the Guard is called to state duty at the request of the governor. In most previous years, less than \$5,000 has been sufficient to support required duty. We will reduce our base to \$5,000 in each year of the biennium.

Enlistment Incentives Program

We are firmly committed to the fact that the Minnesota National Guard must continue to recruit and retain quality men and women from a declining pool of young people. Demographics play a big part in our ability to maintain troop strength. It continues to be difficult for us to recruit in rural areas because of a much smaller pool of eligible people. Because the Minnesota National Guard is committed to serve the citizens of Minnesota in time of disaster or emergency we need to maintain every advantage we have to help us maintain strength in these areas. To this end, we have chosen not to reduce the base in this program because of the effectiveness of the tuition reimbursement program.

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	
2. Impact on Staffing:			
Positions Left Vacant or Eliminated	11.0	15.0	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
3. Impact on Revenue Generation:			
Loss of federal contribution:			
Air Bases	(177)	(189)	(366)
Service Contract Facilities	<u>(135)</u>	<u>(150)</u>	<u>(285)</u>
Total impact	(312)	(339)	(651)
4. Affected Statutes:			
None.			
5. Governor's Recommendation:			

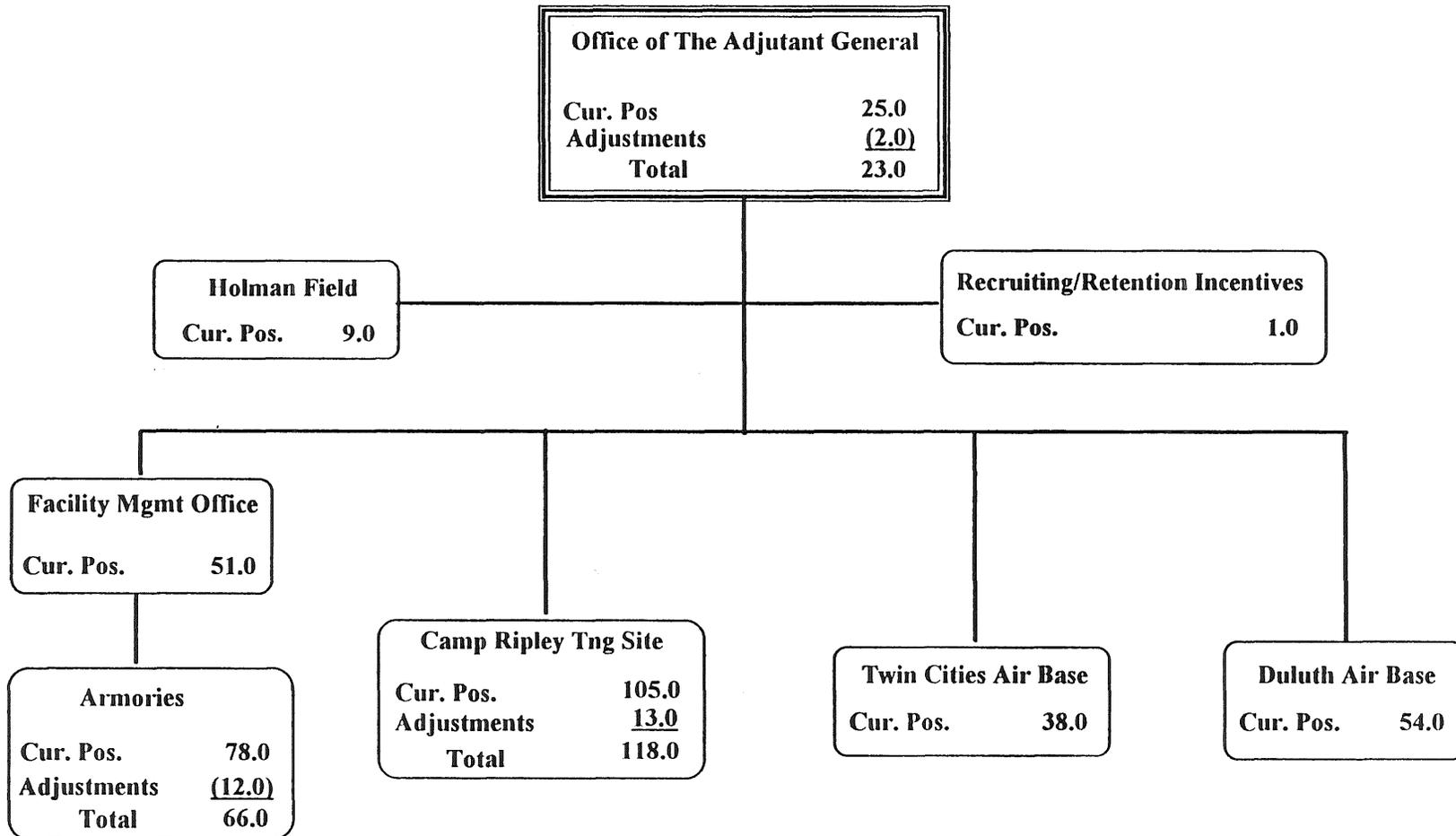
The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: restoring reductions proposed with the agency's plan, which would have compromised facility upkeep and lost federal dollars, for an amount of \$944,000 for the biennium; and a reduction in funding from anticipated savings due to revised salary planning estimates.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) RESTORE AGENCY REDUCTION	GEN	472	472	944			
(A) SALARY PLANNING ESTIMATES	GEN	<160>	<159>	<319>			
TOTAL BY FUND	GEN	312	313	625			
TOTAL INVESTMENT INITIATIVES		312	313	625			

DEPARTMENT OF MILITARY AFFAIRS ORGANIZATIONAL CHART 7/1/92



Department of Military Affairs
Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y.1993</u>	<u>Requested 6/30/95</u>
Legislative Complement:		
General Fund	139.0	127.0
Federal Fund	216.0	235.0
Legislative Authorized:		
Federal	<u>16.0</u>	—
Total Permanent Positions	371.0	362.0
Other Complement (FTE)		
General fund	.2	.2
Federal fund	<u>25.0</u>	<u>25.0</u>
TOTAL Positions	396.2	387.2
Employees on 6/30/92	373.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	309.0
Full-Time Temporary	17.0
Full-Time Seasonal	11.0
Part-Time Unlimited	25.0
Part-Time Temporary	4.0
Part-Time Emergency	1.0
Inter. Unlimited	2.0
Inter. Seasonal	<u>4.0</u>
TOTAL	373.0

1994-95 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: MILITARY AFFAIRS, DEPARTMENT OF

PROGRAM

PAGE

MAINTENANCE OF TRAINING FACILITIES

E-264

Camp Ripley-Holman Field
Armory Maintenance
Air Base Maintenance-Twin Cities and Duluth

GENERAL SUPPORT

E-277

Administrative Services
Auxiliary Services

ENLISTMENT INCENTIVES

E-283

Cash Bonus/Tuition Reimbursement

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1994-95 Biennial Budget

PROGRAM: Maintenance of Training Facilities
AGENCY: Military Affairs, Department of

PROGRAM PURPOSE:

Within this program is accomplished all repair, replacement, betterment and maintenance of Minnesota Army and Air National Guard training, administrative and storage facilities. Facilities must be maintained to insure 1) structural integrity, 2) general appearance, 3) safe conditions, 4) energy efficiency, 5) security, and 6) continued usefulness for effective mission training for all Minnesota National Guard units and their personnel. Many of the armories and some Camp Ripley facilities are utilized by other state agencies, community organizations and governmental units, businesses and individuals on a rental basis. Rental proceeds remain at the local armory for minor, day-to-day maintenance and repair requirements. The programs contain 3 major activities:

1. **ARMORY MAINTENANCE:** This activity provides utility services, materials and personnel to operate and repair the facilities systems for 60 single and multiple unit armories, 17 organizational maintenance shops, and 5 motor vehicle storage buildings. Every armory is supported by a General Maintenance worker who performs daily maintenance and routine repairs. Most repairs and betterment of a larger scale are performed by the department's "trades crew" consisting of 8 tradesman. Nearly all armory fuel and utility costs are paid from this activity.
2. **AIR BASE MAINTENANCE:** This activity provides all maintenance support for the 2 Air National Guard bases in the Twin Cities and Duluth. The key mission at both bases is to provide training to it's members in a wide range of skills that are necessary to support the daily operations of their units. Much of that training is conducted at the respective bases and must be supported by adequate facilities and utility services. The state dollars provided for the bases are for utility services, joint utilization agreements with appropriate airport authorities, refuse collection, and maintenance and repair services. This state support is only 25% of the total support required, the remaining 75% is supported with federal funds.
3. **CAMP RIPLEY/HOLMAN FIELD:** This activity provides building and grounds maintenance and repair for the 53,000 acre training facility at Camp Ripley and the Army Aviation Support Facility located at the St. Paul Downtown airport. Through the investment of primarily federal dollars, Camp Ripley has become a model National Guard training facility that can be used at any time of the year. It has many of the same type training areas and modern range equipment found only at large active army installations. It is equipped and staffed to support all type of training at any time and under any weather conditions. It is a much sought after training site for other reserve and active components because of the fine facilities and sophisticated training support equipment. There is also an aviation support facility at Camp Ripley that handles the 5,000 foot asphalt runway, a 3,000 foot dirt tactical runway and modern support buildings. This "airport" is capable of handling all types of military aircraft. Plans are underway to lengthen the runway to allow civilian jet passenger aircraft to land at Camp Ripley. Camp Ripley is also the site of the Minnesota National Guard officer and non-commissioned officer training schools. Most of the Camp Ripley facilities are supported 100% by the federal government, however some minor construction on non-military mission related facilities are supported with state dollars.

PROSPECTS:

1. There will be less federal dollars available for new construction.
 - This trend will continue especially with major downsizing. This increases our need to maintain what we have and also increases our reliance on continued support with state maintenance funds.
 - The requirements to support state missions will not diminish because they entirely depend on weather related or other unforeseen events. As federal support diminishes and to maintain the appropriate level of responsiveness to the governor, the state will likely have to increase it's support to the maintenance and improvement of current facilities.
2. More force structure reductions will be required in the Army National Guard in the near future.
 - Unless all states are successful in their congressional lobbying efforts, there is certain to be more troop reductions which could mean more loss of armory facilities in Minnesota.
 - If there are possibilities for additional troop units to come to Minnesota because of a nationwide repositioning rather than reduction, we need to maintain our facilities for that eventuality. Poorly maintained or inadequate facilities will be viewed as a weakness which could preclude gains in troop units.
3. The Air National Guard will continue it's position as a major part of the overall Air Force doctrine. As active Air Force structure is eliminated, indications are that those missions will become the responsibility of the Air National Guard.
 - The active Air Force recognizes the bargain they have in the Air National Guard. The Air Guard take a much smaller slice of the federal pie yet accomplishes virtually the same missions at it's active counterparts. The Air Force will continue to rely heavily on the Air Guard for peace-time and war-time missions.
 - The reduction of the federal government's contribution to air base maintenance and repair, on October 1, 1992, will be detrimental to base operations. The funding support ratio now is 75% federal - 25% state. Previously it was 80% federal - 20% state. We have had to pick up the extra fiscal burden with a shrinking base. This issue will be address as an investment initiative.
4. Concerns for the environment will become increasingly important and costly for all military organizations.
 - A newly authorized and formed environmental section in our facilities management office is now required to perform environmental reviews for building closure, use of training areas and new construction. This section also provides the administration for issuing permits for storage, handling, shipping and disposal of hazardous waste. Salaries and all support costs of the employees in this section are funded by the federal government at the 100% level. The department does provide office facilities.
 - The trend is to use more simulation training in our buildings rather than to further damage our environment. This will require upgrade of many of our armories and air bases to prepare for this technology.

1994-95 Biennial Budget

PROGRAM: Maintenance of Training Facilities
AGENCY: Military Affairs, Department of
(Continuation)

5. There will be more demand placed on our armory facilities by community organizations, school districts, and other governmental organizations.
- As resources available to school districts become more constricted and athletic and recreational facilities in schools become overcrowded, armory facilities will be more attractive for rental. Many of our older armories need upgrading to comply with the American Disabilities Act (ADA). Some armories are currently leased to Department of Public Safety for driver license examining stations. We have been told that those leases cannot be renewed after January 1, 1993 if the building is not accessible under ADA standards.
 - As part of our mission "to be an active participant in community affairs . . .", we need to make improvements in armories to make them more attractive for use by individuals and organizations within the community. They can be another asset available to cities for their community education programs.

OUTCOMES:

1. During the biennium, all armory facilities were maintained and repaired so they were operated at a level that enabled the units quartered in the armories to complete all their missions. In addition to routine maintenance and minor repairs, the following major projects were completed":
- In 8 armory facilities, old windows were removed and replaced with fully insulated aluminum windows. We have found that significant heating fuel savings can be realized in these instances. The appearance of the armories as well as the comfort of the employees is also a benefit. The cost of window replacements were just over \$283,700.
 - Roofs have been replaced on 3 armories. The new roofs are insulated roofs which should decrease heating fuel consumption. Cost of the roof replacements was \$191,000.
 - Kitchens were remodeled in 3 armories for a cost of just under \$120,000. Remodeling included installation of new food serving doors, stainless steel food preparation and serving areas, removal and replacement of concrete floors, replacement of ceilings, replacement of light fixtures, installation of new cabinets, and installation of stainless cooking range exhaust hoods with automatic fire protection. Remodeling was done to provide sanitary and efficient kitchen for food service to the troops in training and for use during armory rentals.

OBJECTIVES:

The overall objective of this program is to maintain all our facilities so that their operating systems are efficient, employees have a pride of ownership, mission capabilities are enhanced by facilities and the investment in the physical plant is protected from deterioration. This objective can be divided into two parts: 1) Routine maintenance and repair and 2) Major renovation, betterment and replacement.

PROGRAM PLAN:

To accomplish our objective, our plan is to:

- Continue to commit nearly 1/2 of the total budget to normal routine daily maintenance and repair activities. This is the minimum essential to keep facilities at a standard operational level. Facility condition cannot be a detractor to mission accomplishment.
- Replace 2 more armory roofs in each year with an average replacement cost of \$85,000 each.
- Replace 3 boilers per year at an average cost of \$40,000 each.
- Bring 2 to 3 armories up to access standards required by the Americans with Disabilities Act at an average cost of \$12,000 for each armory.
- Make necessary modifications to armory facilities effected by the statewide restationing and reorganization. Modifications are needed because of increased demands for administrative, training and storage space.

With the closing of 12 armories, we will be more able to reduced the significant backlog of non-routine facility betterment.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: restoring reductions proposed with the agency's plan, which would have compromised facility upkeep and lost federal dollars, for an amount of \$899,000 for the biennium; and a reduction in funding due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: MAINT-MILIT TRNG FAC

ACTIVITY RESOURCE ALLOCATION:				FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
CAMP RIPLEY/HOLMAN	6,965	7,079	7,989	8,009	8,265	8,287	8,009	8,455	8,482
ARMORY MAINTENANCE	5,027	5,040	5,102	4,786	4,422	4,690	4,786	4,410	4,671
AIR BASE MAINT-TWIN	1,640	1,671	1,722	1,723	1,718	1,743	1,723	1,760	1,787
AIR BASE MAINT-DULUT	2,754	2,747	2,878	2,878	2,847	2,872	2,878	2,866	2,893
TOTAL EXPENDITURES BY ACTIVITY	16,386	16,537	17,691	17,396	17,252	17,592	17,396	17,491	17,833
GOV'S INITIATIVES:									
(A) RESTORE AGENCY REDUCTION						449			450
(A) SALARY PLANNING ESTIMATES						<109>			<108>
TOTAL GOV'S INITIATIVES						340			342
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	5,715	5,664	5,609	5,470	5,021	5,361	5,470	5,020	5,362
STATUTORY APPROPRIATIONS:									
GENERAL	264	378	450	450	450	450	450	450	450
FEDERAL	10,407	10,495	11,632	11,476	11,781	11,781	11,476	12,021	12,021
TOTAL FINANCING	16,386	16,537	17,691	17,396	17,252	17,592	17,396	17,491	17,833
POSITIONS BY FUND:									
GENERAL	108.8	110.1	110.1	110.1	110.1	110.1	110.1	110.1	110.1
FEDERAL	219.6	223.5	223.5	223.5	223.5	223.5	223.5	223.5	223.5
TOTAL POSITIONS	328.4	333.6	333.6	333.6	333.6	333.6	333.6	333.6	333.6

1994-95 Biennial Budget

BUDGET ACTIVITY: Camp Ripley/Holman Field
PROGRAM: Maintenance of Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity includes physical maintenance to training installations at Camp Ripley and the Army Aviation Support Facility at the St. Paul Downtown Airport (Holman Field).

- **Camp Ripley** is 53,000 acre state owned year-round military training facility and is the primary training site for the 10,000 members of the Minnesota Army National Guard. Camp Ripley is also heavily used by troops from other state National Guard units and troops from the active forces. Camp Ripley is designated by the National Guard Bureau as the primary Army National Guard Winter Training Facility in the United States. This designation has brought a substantial amount of federal construction dollars to this state for expansion of Camp Ripley in this role. The troop housing area can support more than 12,000 troops during the summer months and approximately 2,500 during cold weather training months. Camp Ripley has facilities that provide the supply, maintenance and off-duty recreation required by organizations and units training at the site. Camp Ripley also has a superb 5000 foot asphalt runway capable of handling all types of military commercial type and tactical aircraft. A 3500 foot dirt tactical runway was recently completed allowing more Air National Guard use of the airfield. These two runways have enabled the Air National Guard to use Camp Ripley as a training area. This runway system has also made Camp Ripley more accessible to out of state troops. To support the airfield, a limited Army Aviation Support Facility is in place that includes 2 hangers, an operations and crash rescue facility, 6 aircraft and 14 employees.
- **Holman Field** (St. Paul Downtown Airport) is the location of the National Guard hanger which provides a training base and operational headquarters for the Army National Guard aviation brigade, a newly organized aviation battalion, various separate aviation type units and the Army Aviation Support Facility. The facility supports helicopters and fixed-wing aircraft owned by the federal government and operated by National Guard personnel. Approximately 575 Army National Guard personnel are authorized to train at Holman Field. They are responsible for the management and execution of the entire Army National Guard aviation program which includes aircraft maintenance, flight operations, aviation standardization, tactical training, safety and administrative support. The facility is supported by 5 General Maintenance Workers, 1 Plant Maintenance Engineer Helper, and 1 Building Maintenance Lead Worker and 1 Building Maintenance Supervisor. For security and operational reasons, the facility is manned 24 hours a day, seven days a week. Employees supporting the facility perform all janitorial services, maintain the building systems and also provide building security.

BUDGET ISSUES:

Both these training installations operate under federal/state agreements whereby the federal government agrees to contribute a percentage of the cost for maintenance, repair and betterment. The Operation and Maintenance Agreement for Logistical Facilities Service is an agreement between the federal government and the state of Minnesota, whereby the state agrees to pay 25% of all costs associated with service contract facilities and employees. Due to budget cuts and same level

funding, the department will not be able to fully fund the 25% share for F.Y. 1994 and F.Y. 1995. Same level funding will also cause a reduced in the 75% federal funds. This could act as a detriment to the facilities and employees involved, i.e. layoffs, closing of building, and/or reduced maintenance.

EFFICIENCY MEASURES:

1. The customers served by this activity are all the military troops that train there and an increasing number of civilian personnel from organizations such as boy scouts, campers for our own youth camp, bow hunters, other agencies of state government, and police organizations.
 - To measure our maintenance efforts at Camp Ripley, one need only look at the ability of the Camp Ripley installation to support troops in training and civilian use. For example, In F.Y. 1991, Camp Ripley supported 54,401 military troops and 4,649 civilian. In F.Y. 1992 54,610 troops and 11,273 civilians used Camp Ripley. Each military person using Camp Ripley was compensated with a federal paycheck much of which is spent either in the Camp Ripley locality or other localities within the state. Nearly all supplies and equipment required to support the training are purchased within the state.
 - Another measure is the management of large amounts of federal construction dollars given for construction within Camp Ripley. These funds are secured and managed by our Facilities Management Office located at Camp Ripley. Several million dollars have been received in the last two years that have been used to completely modernize troop housing areas. Aluminum hutments have been removed and replaced with all-weather, troop quarters with self contain food service facilities. State dollars in this activity are used to purchase maintenance supplies and pay salaries of some of the personnel who manage and maintain Camp Ripley. Their professionalism and ability to maintain an attractive Camp Ripley has drawn thousands of out of state troops to the training site.
 - Each year, several thousand people visit the Military Museum located on the Camp Ripley Military Reservation. This is a first class attraction.
2. Holman Field located at the St. Paul Downtown Airport is the site of the Army Aviation Support Facility which supports the Army National Guard aviation program. All aircraft maintenance, flight training and mission essential activities are supported by this fine, modern aviation facility.

REVENUE:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: MAINT-MILIT TRNG FAC
ACTIVITY: CAMP RIPLEY/HOLMAN

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomn.	Current Spending	Agency Plan	Governor Recomn.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	4,956	5,217	5,806	5,826	6,127	6,104	5,826	6,322	6,299
EXPENSES/CONTRACTUAL SRVCS	318	434	456	456	436	456	456	431	456
MISC OPERATING EXPENSES	487	565	611	611	611	611	611	611	611
SUPPLIES/MATERIALS/PARTS	1,179	863	1,116	1,116	1,091	1,116	1,116	1,091	1,116
CAPITAL EQUIPMENT	25								
SUBTOTAL STATE OPERATIONS	6,965	7,079	7,989	8,009	8,265	8,287	8,009	8,455	8,482
TOTAL EXPENDITURES	6,965	7,079	7,989	8,009	8,265	8,287	8,009	8,455	8,482
GOV'S INITIATIVES:									
			FUND						
(A) RESTORE AGENCY REDUCTION			GEN			45			50
(A) SALARY PLANNING ESTIMATES			GEN			<23>			<23>
TOTAL GOV'S INITIATIVES						22			27
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,052	939	903	923	916	938	923	928	955
STATUTORY APPROPRIATIONS:									
GENERAL	264	378	450	450	450	450	450	450	450
FEDERAL	5,649	5,762	6,636	6,636	6,899	6,899	6,636	7,077	7,077
TOTAL FINANCING	6,965	7,079	7,989	8,009	8,265	8,287	8,009	8,455	8,482
POSITIONS BY FUND:									
GENERAL	19.9	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5
FEDERAL	122.5	129.9	129.9	129.9	129.9	129.9	129.9	129.9	129.9

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: MAINT-MILIT TRNG FAC
ACTIVITY: CAMP RIPLEY/HOLMAN

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	142.4	151.4	151.4	151.4	151.4	151.4	151.4	151.4	151.4

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1994-95 Biennial Budget

BUDGET ACTIVITY: Armory Maintenance
PROGRAM: Maintenance of Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

Funds appropriated for this activity are used to repair and maintain state-owned National Guard facilities at a standard operational level with the minimum essential custodial staff to provide: 1) efficient training, logistical and administrative facility for Army National Guard troop use for mission training; 2) facilities for use during natural disasters and other state active duty contingencies; and 3) facilities available for use by governmental and community organizations or individuals, and local businesses.

With the recent closing of 12 armories, the department now controls and operates 60 armories, 17 organizational maintenance shops and 5 motor vehicle storage buildings. A 61st armory is nearing completion in Northeast Minneapolis. Total estimated value of this real estate in excess of \$123,000,000. Total square footage of all armories and vehicle maintenance facilities is just over 1,670,000 square feet. A number of our remaining armories are older facilities and require more repairs to ensure continued usefulness as National Guard training facilities. Because of an intended increased use by community organizations and individuals, all of our armories must be brought to access standards required by the American Disabilities Act. The number of armories that don't comply make this a long process.

Janitorial type maintenance and minor repairs are accomplished by General Maintenance Workers, usually 1 at each location. The department continually monitors facility janitorial needs and has been successful in reducing janitorial hours in those armories not requiring full-time support. Contract maintenance is being utilized in one facility. Continued reduction in routine, daily maintenance will result in eventual deterioration of facilities and make them unattractive for use by communities.

Major repairs and replacements, previously accomplished through Capital Budget, are now included in this activity. The department continues its building exterior improvement program that includes roof replacements, new insulated windows, tuckpointing and kitchen remodeling. This exterior modernization program has resulted in noticeable savings in heating and cooling costs. Other facility improvement projects include replacement of access doors, resurfacing of parking lots and sidewalks, remodeling of kitchen facilities and vehicle maintenance garage exhaust systems. Projects are planned, prioritized and accomplished by the Facilities Management Office at Camp Ripley by contracting. Smaller projects are accomplished by the department's repair/construction crew consisting of 8 trade workers.

BUDGET ISSUES:

Priority projects for this biennium include asbestos abatement, removal of underground fuel storage tanks, improvements to comply with the American with Disabilities Act and replacement of aging boilers.

- We intend to promote the use of armories as community centers and fully expect that community athletic and educational programs will be conducted in our armories. Most of our older facilities are suspected to contain asbestos ceiling material and pipe insulation. Although complete surveys have not been completed on all facilities, representative sampling of some armories reveal what we suspect. We feel it is prudent to begin removal of asbestos in an orderly manner before we are faced with a time sensitive mandate.
- Nearly all our armories were built with hot water heating systems requiring boilers fired with fuel oil. Underground fuel storage tanks are present in all but the newest armories. With natural gas being available in many communities, we are able to convert our boilers to natural gas firing. We no longer feel it necessary to maintain an alternate fuel system. Storage tanks not being used must be removed.
- Most of our armories do not comply with access and use standards of the American with Disabilities Act. This limits potential use by community organizations and school systems. Some require ramps and exterior doors and most require modification of toilet facilities.
- As part of our plan to convert to natural gas in all locations where it is available, we feel it is wise to replace old boilers rather than spend dollars to rebuild them. Boilers can be replaced for less cost on a schedule rather than on an emergency basis.

EFFICIENCY MEASURES:

Even with a steady decline in dollars available, we have been able to meet the demands of our National Guard organizations and many communities. Many of our communities now have an armory with a new face. Our window replacement and tuckpointing programs have been able to enhance unique architectural features of armories and make the building appear to be recently constructed with historical design.

REVENUE:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: MAINT-MILIT TRNG FAC
ACTIVITY: ARMORY MAINTENANCE

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,628	2,670	2,481	2,541	2,522	2,445	2,541	2,502	2,426
EXPENSES/CONTRACTUAL SRVCS	828	796	997	997	752	997	997	760	997
MISC OPERATING EXPENSES	977	991	805	749	749	749	749	749	749
SUPPLIES/MATERIALS/PARTS	588	573	515	495	395	495	495	395	495
CAPITAL EQUIPMENT	6	10	4	4	4	4	4	4	4
SUBTOTAL STATE OPERATIONS	5,027	5,040	4,802	4,786	4,422	4,690	4,786	4,410	4,671
LOCAL ASSISTANCE			300						
TOTAL EXPENDITURES	5,027	5,040	5,102	4,786	4,422	4,690	4,786	4,410	4,671
GOV'S INITIATIVES:									
			FUND						
(A) RESTORE AGENCY REDUCTION			GEN			345			337
(A) SALARY PLANNING ESTIMATES			GEN			<77>			<76>
TOTAL GOV'S INITIATIVES						268			261
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,212	4,231	4,188	4,028	3,656	3,924	4,028	3,637	3,898
STATUTORY APPROPRIATIONS:									
FEDERAL	815	809	914	758	766	766	758	773	773
TOTAL FINANCING	5,027	5,040	5,102	4,786	4,422	4,690	4,786	4,410	4,671
POSITIONS BY FUND:									
GENERAL	82.1	81.1	81.1	81.1	81.1	81.1	81.1	81.1	81.1
FEDERAL	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: MAINT-MILIT TRNG FAC
ACTIVITY: ARMORY MAINTENANCE

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	89.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0

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1994-95 Biennial Budget

BUDGET ACTIVITY: Air Base Maintenance-Twin Cities and Duluth
PROGRAM: Maintenance of Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity includes maintenance and security for all buildings, grounds and mechanical systems located at the two Minnesota Air National Guard bases, one located at the Twin Cities International Airport and the other at the Duluth International Airport. Those bases serve the administrative, training and mission essential needs of the 133rd Tactical Airlift Wing and the 148th Fighter Interceptor Group located in the Twin Cities and Duluth respectively. These facilities are used by those organizations to attain and maintain their operational readiness as directed by the National Guard Bureau and the Air Force. Readiness is attained by utilizing base facilities to administer, equip, and train Air National Guard personnel and to support their daily air crew flying missions.

The Twin Cities air base is comprised of 35 separate structures. The Duluth air base has 30 separate structures. Each base provides facilities for aircraft and vehicle maintenance as well as facilities for training, housing, feeding, and administrative office space for full-time and part-time personnel. This activity provides for repairs and routine maintenance, which includes heating, electrical, plumbing, remodeling or rehabilitating offices, repairing roofs, painting of buildings, patching roads, repairing concrete, sweeping and snow plowing roads and ramps, cutting grass and providing janitorial service. The above services are performed by state employees, however, 75% of the costs associated with those services are reimbursed by the federal government through a federal/state operations and maintenance agreement. The remaining 25% is the responsibility of the state.

Personnel at the Duluth base also provide fire fighting and crash rescue services to the entire airport under a joint agreement with the Duluth Airport Authority. Those services are 100% reimbursed by the federal government even though the employees performing the services are state employees. Security at both bases is provided by state security guards whose salaries and other support costs are reimbursed 100% by the federal government.

BUDGET ISSUES:

The bases operate under an Operations and Maintenance Agreement with is a federal/state agreement whereby the state agrees to pay 25% of all costs associated with the employees and buildings under this agreement. Prior to October 1, 1991, the state share was 20%. On October 1, 1991, the federal share was reduced to 78% which meant the state share increased to 22%. On October 1, 1992, the federal share was reduced to 75% thus making the state share 25%. With this change in percentage (20% - 25%) over the past 2 years and the state cuts and same level funding, we are unable to fund the agreements at any more than "same level", therefore causing an approximate 12% reduction in the overall budgets for the 2 bases. The 75% federal share will also be reduced proportionately which would cause layoffs, building closings and/or reduced maintenance.

A decision was made not to reduce the amount of state support in this activity because for every state dollar not invested, 3 federal dollars are lost. Layoffs are not feasible because 4 employees would have to be laid of to generate savings of 1 FTE General Fund position.

EFFICIENCY MEASURES:

The civil engineering sections at both bases maintain base facilities and provide all necessary services so the Air National Guard organizations were able to satisfy all mission requirements with the highest degree of competence. Numerous training and mission essential testing standards were applied to both organizations. In effect, there are measurements of how well a military unit performs it assigned duties. All training and duty performance at these bases is directed to a single measurable purpose: Safely accomplish their assigned Air Force mission with the highest possible degree of efficiency.

As an example, the 148th Fighter Interceptor Group in Duluth successfully completed a difficult and complex transition to a new type of fighter aircraft. All the efforts of both federal and state employees on that base were directed to the success of that single mission. Even the best employees cannot complete their job effectively without top notch facilities and support services.

REVENUE:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: MAINT-MILIT TRNG FAC
ACTIVITY: AIR BASE MAINT-TWIN

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,165	1,210	1,262	1,262	1,287	1,282	1,262	1,331	1,326
EXPENSES/CONTRACTUAL SRVCS	133	115	90	91	86	91	91	86	91
MISC OPERATING EXPENSES	163	170	188	188	188	188	188	188	188
SUPPLIES/MATERIALS/PARTS	179	158	182	182	157	182	182	155	182
CAPITAL EQUIPMENT		18							
SUBTOTAL STATE OPERATIONS	1,640	1,671	1,722	1,723	1,718	1,743	1,723	1,760	1,787
TOTAL EXPENDITURES	1,640	1,671	1,722	1,723	1,718	1,743	1,723	1,760	1,787
GOV'S INITIATIVES:									
(A) RESTORE AGENCY REDUCTION						30			32
(A) SALARY PLANNING ESTIMATES						<5>			<5>
TOTAL GOV'S INITIATIVES						25			27
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	231	247	257	258	224	249	258	227	254
STATUTORY APPROPRIATIONS:									
FEDERAL	1,409	1,424	1,465	1,465	1,494	1,494	1,465	1,533	1,533
TOTAL FINANCING	1,640	1,671	1,722	1,723	1,718	1,743	1,723	1,760	1,787
POSITIONS BY FUND:									
GENERAL	3.6	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
FEDERAL	34.4	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: MAINT-MILIT TRNG FAC
ACTIVITY: AIR BASE MAINT-TWIN

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	38.0	38.2	38.2	38.2	38.2	38.2	38.2	38.2	38.2

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: MAINT-MILIT TRNG FAC
ACTIVITY: AIR BASE MAINT-DULUT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,065	2,116	2,199	2,199	2,197	2,193	2,199	2,218	2,214
EXPENSES/CONTRACTUAL SRVCS	143	133	163	163	158	163	163	158	163
MISC OPERATING EXPENSES	279	282	271	271	271	271	271	271	271
SUPPLIES/MATERIALS/PARTS	267	216	245	245	221	245	245	219	245
SUBTOTAL STATE OPERATIONS	2,754	2,747	2,878	2,878	2,847	2,872	2,878	2,866	2,893
TOTAL EXPENDITURES	2,754	2,747	2,878	2,878	2,847	2,872	2,878	2,866	2,893
GOV'S INITIATIVES:									
FUND									
(A) RESTORE AGENCY REDUCTION			GEN			29			31
(A) SALARY PLANNING ESTIMATES			GEN			<4>			<4>
TOTAL GOV'S INITIATIVES						25			27
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	220	247	261	261	225	250	261	228	255
STATUTORY APPROPRIATIONS:									
FEDERAL	2,534	2,500	2,617	2,617	2,622	2,622	2,617	2,638	2,638
TOTAL FINANCING	2,754	2,747	2,878	2,878	2,847	2,872	2,878	2,866	2,893
POSITIONS BY FUND:									
GENERAL	3.2	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
FEDERAL	55.8	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
TOTAL POSITIONS	59.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0

1994-95 Biennial Budget

PROGRAM: General Support
AGENCY: Military Affairs, Department of

PROGRAM PURPOSE:

The General Support program includes supervisory and technical support services in the areas of training, maintenance, logistical support, personnel procurement, and administration of elements within the Minnesota Army and Air National Guard. The program includes employee costs and supplies and expenses for activities of the Office of the Adjutant General and the command headquarters of the Minnesota Army and Air National Guard so that they, and their subordinate organizations, may attain and maintain the high standards of military readiness required by federal and state laws and regulations.

The support provided by this program encompasses operations at the department headquarters in St. Paul, Air National Guard bases in Duluth and the Twin Cities, the Army Aviation Support Facility in St. Paul, the Camp Ripley training site just north of Little Falls, and armories throughout the state.

PROSPECTS:

1. Reduction in National Guard personnel and units does not necessarily enable a corresponding reduction in support services. All support mechanisms must remain in place.
 - The administrative workload, in this budget program does not diminish because of facilities closure to the degree that it might effect the Maintenance of Training Facilities Program. It means that instead of managing and serving 350 employees, we now will serve approximately 340.
 - Most of the supervision of our state employees is by federal employees. The full-time federal support program is not being significantly reduced at this time. Attrition will be the tool used in full-time federal employee force reduction.
2. The need for the National Guard to respond to state emergencies will not change.
 - Situations that warrant the Guard being called to state duty are not discretionary and will need the same service from the administrative support structure. With some automation of the pay process, the amount of administration has been greatly reduced.

OUTCOMES:

Most methods of evaluation and judgement are military inspection and testing programs that signal the ability of military units and larger organizations to complete missions to certain standards. The Air National Guard has an advantage over the Army National Guard in that most of their duties are directed at actually accomplishing their federally assigned mission. The 148th Fighter Interceptor Group in Duluth has aircraft standing by and has, on several occasions, been "scrambled" to intercept unidentified aircraft approaching U.S. air space. The 133rd Tactical Airlift Wing actually delivers cargo and personnel to different parts of the world on a daily basis. The Army National Guard, on the other hand, is always practicing to accomplish their assigned mission. The only time Army National Guard soldiers are called to perform their federal mission is in time of war or national emergency.

Some of the administrative services performed in this program and associated activities are: 1) Budget and accounting functions; 2) Securing reimbursement from the federal government under various Federal/State Cooperative Funding Agreements; 3) Internal audit and control functions; 4) Personnel, logistical and payroll support to call to state duty for emergency aid to local law enforcement agencies; 5) coordinate with the federal congressional delegation and the state legislature to gain additional support for Minnesota National Guard programs and facilities

OBJECTIVES:

In late calendar year 1991, The Adjutant General directed all employees within the department assist him in implementing a Total Quality Leadership Management program. The program combines military leadership principals and features of similar programs seen in private industry. All successful "quality improvement" programs focus on what the customer wants. ALL efforts are then directed towards customer satisfaction. Our customers are members of the National Guard members and, to a lesser degree, citizens of Minnesota. With our total focus on our customers, we have set a course to attain the following objectives:

1. Improved staff supervision and support to elements of the Minnesota National Guard by all staff sections within the office of The Adjutant General.
2. Enhance the readiness of our National Guard units and members for mobilization in the event of a national emergency or call to duty by the Governor in the event of a natural disaster or civil emergency.
3. Formulate ideas and launch initiatives that will address the domestic concerns and needs of the citizens in our local communities.

Although dollars to accomplish the program purpose are primarily federal dollars it is the responsibility of The Adjutant General and Department of Military Affairs to implement, plan, manage, and evaluate those programs. The Department of Military Affairs is unique in state government: A total of just over 1,700 federal employees assist The Adjutant General in completing his missions. They include civilians, excepted civil service employees who must maintain National Guard membership as a condition of employment, and active duty National Guard personnel.

PROGRAM PLAN:

Reduce base in the Auxiliary Support activity by \$70,000 each year of the biennium. This amount is being cut from the military forces emergency account. Rationale for this decision is that dollars are needed in this account only when the National Guard is called to state emergency duty by the governor. We will retain \$10,000 in this account for the biennium.

No other cuts are anticipated in this program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: restoring reductions proposed with the agency's plan, which would have compromised facility upkeep and lost federal dollars, for an amount of \$45,000 for the biennium; and a reduction in funding due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: GENERAL SUPPORT

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ADMIN SERVICES	1,425	1,526	1,445	1,502	1,502	1,464	1,502	1,502	1,464
AUXILIARY SERVICES	175	194	57	125	102	123	125	103	123
TOTAL EXPENDITURES BY ACTIVITY	1,600	1,720	1,502	1,627	1,604	1,587	1,627	1,605	1,587
GOV'S INITIATIVES:			FUND						
(A) RESTORE AGENCY REDUCTION			GEN			23			22
(A) SALARY PLANNING ESTIMATES			GEN			<40>			<40>
TOTAL GOV'S INITIATIVES						<17>			<18>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,425	1,671	1,452	1,577	1,554	1,537	1,577	1,555	1,537
STATUTORY APPROPRIATIONS:									
GENERAL	97	49	50	50	50	50	50	50	50
SPECIAL REVENUE	78								
TOTAL FINANCING	1,600	1,720	1,502	1,627	1,604	1,587	1,627	1,605	1,587
POSITIONS BY FUND:									
GENERAL	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
TOTAL POSITIONS	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Administrative Services
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

The Adjutant General as Military Chief of Staff to the Governor, heads the Department of Military Affairs. The Office of the Adjutant General is charged with the responsibility of supervision and supporting maintenance, recruiting, training and operational readiness of all elements within the Minnesota Army and Air National Guard. This activity also provides Military Fund allowances for each National Guard unit to assist in payment of necessary expenses to support their operations.

Some of the administrative services associated with this activity include budget and accounting functions, management of a complex federal reimbursement program, internal audit and controls, payroll and logistical support to personnel called to state active duty and liaison with federal congressional delegation to gain additional support of Minnesota National Guard programs and facilities.

BUDGET ISSUES:

This activity is not generally effected by changes in the military structure or authorized strength of the National Guard. No reduction in the base of this activity is planned.

EFFICIENCY MEASURES:

One of the major tasks in this activity is the payment of bills and invoices for goods and services in support of department operations. The monthly measurement of efficiency in payment service by the Department of Finance is evaluating how many "late payments" are made. The department is, without exception, at or over a 99% rate for on-time payments. We are proud of our record of service to those vendors.

Our payroll service to our employees is exceptional. Time sheets are carefully audited each pay period to eliminate errors. Warrants are always mailed in a timely manner to insure employees are paid as required.

REVENUE:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: GENERAL SUPPORT
ACTIVITY: ADMIN SERVICES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,094	1,040	1,028	1,033	1,114	1,076	1,033	1,114	1,076
EXPENSES/CONTRACTUAL SRVCS	205	344	320	352	271	271	352	271	271
MISC OPERATING EXPENSES	45	39	42	42	42	42	42	42	42
SUPPLIES/MATERIALS/PARTS	24	39	6	26	26	26	26	26	26
CAPITAL EQUIPMENT	4	6	3	3	3	3	3	3	3
OTHER		4							
SUBTOTAL STATE OPERATIONS	1,372	1,472	1,399	1,456	1,456	1,418	1,456	1,456	1,418
AIDS TO INDIVIDUALS		1							
LOCAL ASSISTANCE	53	53	46	46	46	46	46	46	46
TOTAL EXPENDITURES	1,425	1,526	1,445	1,502	1,502	1,464	1,502	1,502	1,464
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES									
GEN									
TOTAL GOV'S INITIATIVES						<38>			<38>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,425	1,526	1,445	1,502	1,502	1,464	1,502	1,502	1,464
TOTAL FINANCING	1,425	1,526	1,445	1,502	1,502	1,464	1,502	1,502	1,464
POSITIONS BY FUND:									
GENERAL	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
TOTAL POSITIONS	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Auxiliary Services
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

To provide supervision and technical knowledge so that the following functions, as prescribed by statute, are carried out: Armory sales, flood disaster claims, military forces emergency, military land fund and state guard equipment.

BUDGET ISSUES:

An annual appropriation of \$75,000 is received in this activity for payment for personnel and support costs for state emergency duty. When local law enforcement official seek help from the National Guard through the governor's office, an Executive Order is issued authorizing payment of goods and services as required. When no request for such assistance is received in a given year, the appropriation is available for the following year. Funds remaining at the end of the biennium revert to the General Fund.

To satisfy part of the base cut, \$70,000 in each year or a total of \$140,000 for the biennium is reduced from this activity.

EFFICIENCY MEASURES:

The utilization of the National Guard to assist the citizens of Minnesota in time of natural disaster is an extremely efficient use of available resources. The command and control mechanism is in place and well exercised. In most instances, adequate federal equipment is available to support local situations. No investment by the state is required in this equipment. Only operational and repair costs are paid during period of state emergency duty.

When calls to state emergency duty occur, the state becomes obligated for personnel pay and payments to vendors who furnish goods and services.

- Guard members called to duty must leave their civilian jobs on short notice. The state's obligation to them is to pay them for their services correctly and in a timely manner. With recent automation, we have a pay system in place that can generated input to the statewide accounting system the same day request for payment is received from National Guard units.
- Payment to vendors are handled in the same manner as any other bills received in the department and are paid within two days of receipt.

REVENUE:

This activity generates non-dedicated revenue from the sale of timber at Camp Ripley.

<u>Dollars in Thousands</u>				
<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Type of Revenue:				
Non-dedicated - Gen'l	44	36	45	50

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: GENERAL SUPPORT
ACTIVITY: AUXILIARY SERVICES

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2	130	7	75	52	73	75	53	73
EXPENSES/CONTRACTUAL SRVCS	14	25	20	20	20	20	20	20	20
SUPPLIES/MATERIALS/PARTS	8	39	30	30	30	30	30	30	30
OTHER	151								
SUBTOTAL STATE OPERATIONS	175	194	57	125	102	123	125	103	123
TOTAL EXPENDITURES	175	194	57	125	102	123	125	103	123
GOV'S INITIATIVES:									
FUND									
(A) RESTORE AGENCY REDUCTION						23			22
(A) SALARY PLANNING ESTIMATES						<2>			<2>
TOTAL GOV'S INITIATIVES						21			20
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		145	7	75	52	73	75	53	73
STATUTORY APPROPRIATIONS:									
GENERAL	97	49	50	50	50	50	50	50	50
SPECIAL REVENUE	78								
TOTAL FINANCING	175	194	57	125	102	123	125	103	123
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

PROGRAM: Enlistment Incentives
AGENCY: Military Affairs, Department of

PROGRAM PURPOSE:

This budget program consists of a Tuition Reimbursement program and a Reenlistment Bonus program. The tuition reimbursement program reimburses eligible National Guard members for up to 50% of their tuition costs at post secondary educational institutions but not to exceed 50% of tuition charged at the University of Minnesota. The reenlistment bonus offers a \$250.00 payment for each year of National Guard reenlistment to a maximum of 6 years (\$1,500). The objective of both incentives is:

- Increase the number of quality recruits that enlist into the Minnesota Army and Air National Guard to meet strength objectives established by the National Guard Bureau.
- Attain and maintain 98% to 100% of authorized strength by reducing the number of Guard members electing to discontinue their service.
- Improve the educational level of those citizens of Minnesota who are also members of the National Guard by offering financial assistance to those who attend a post-secondary educational institution. Soldiers and airmen with post-secondary education are more likely to assume leadership roles in the National Guard and the community.

PROSPECTS:

1. There will be a continuing reliance on the National Guard to perform an important backup role to the active forces.
 - Even though the entire military system is undergoing dramatic force reductions and reorganization, the National Guard will need to maintain a high state of readiness and strength to meet, what we view, as an increased mission because of deep cuts in the active forces.
 - Recruiting is the first and most important step in seeking high levels of readiness. The tuition reimbursement program will continue to be the number 1 incentive available to attract new recruits.
2. Increased military training and educational demands require more time away from the family and work place. It will be more difficult to retain quality members.
 - To be an effective military unit, there must be a balance of new recruits and seasoned soldiers and airmen. The old train and lead the young. Each year we are asking more and more from our part-time National Guard members. We must use every tool available to retain our quality members. It is more cost effective to retain what we have than to recruit and train new soldiers and airmen.
3. Cost of tuition and other associated expenses will continue to rise at or above the rate of inflation and local job pay rates. This will make it increasingly difficult for young people to afford a college or other post secondary education.
 - The average rate of reimbursement for a full-time student enrolled in the tuition is between \$900 and \$1,300 per year depending on the credit load. In many instances, it has allowed young people to attend post secondary institutions they otherwise could not afford to attend.
 - During F.Y. 1992, of the total payments to students of \$1,840,000, just over \$1,300,000 or 70%, was paid to students attending state supported public institutions.

OUTCOMES:

Both programs have given us the results we had hoped for when they were conceived. The tuition reimbursement program is running at full fiscal capacity. Even though the statewide force reduction has resulted in 636 members being discharged since June 1, 1992, only 41 or just over 6% were enrolled in the tuition reimbursement program. That number indicates that we are retaining the quality people the program is designed to keep.

OBJECTIVES:

The 2 objectives of this program are: 1) Maintain a high level of strength, and 2) Increase the education level of Minnesota National Guard members.

1. The most essential element of military readiness is **maintaining a high level of strength**. Units that are significantly less than full strength cannot effectively perform their assigned mission. To maintain strength at or near required levels, an aggressive recruiting and retention program is essential. The recruiting program is like a sales program, and the product being sold is membership in the Minnesota National Guard. Products that enjoy good sales are the ones that satisfy wants and needs of the customer, are not available in the same form from someone else at a lesser cost, and is perceived to give the customer lasting benefit. The tuition reimbursement program gives the Minnesota National Guard that "sales edge" over the competition - active service and other reserve components.
2. It is universally accepted that advanced education better prepares a person for the challenges of life. The military recognizes that by requiring various levels of college for promotion to certain leadership positions. Commissioned officers must have a baccalaureate degree for promotion to field grade positions. These are relatively new requirements for military officers. The tuition reimbursement program accomplished 2 things. It helps National Guard members to pursue their post secondary education goals to satisfy their personal and family needs and it also qualifies them for positions of greater responsibility in the National Guard.

PROGRAM PLAN:

1. The tuition reimbursement program will continue to be a high priority budgetary item for the department. This budget does not contemplate any reduction in the base for either fiscal year. The "suspended" reenlistment bonus program must also be funded within the existing program base. Contractual obligations for members already participating in the bonus program will have to be met at the expense of tuition reimbursements.
2. It may be possible to restart the reenlistment bonus program again if we are able to make changes in eligibility criteria. Possible modifications to the tuition reimbursement program are discussed at the ACTIVITY level. With the recent closing of 12 armory training centers, we are asking many of our soldiers to drive further to train and we suspect that it will become more difficult to retain some of our members with the additional sacrifices we are asking of them. The bonus may still be a factor in their decision to stay.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: ENLISTMENT INCENTIVES

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
ENLISTMENT INCENTIVES	1,946	2,366	2,846	2,350	2,350	2,339	2,350	2,350	2,339
TOTAL EXPENDITURES BY ACTIVITY	1,946	2,366	2,846	2,350	2,350	2,339	2,350	2,350	2,339
GOV'S INITIATIVES:			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<11>			<11>
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL GOV'S INITIATIVES						<11>			<11>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,946	2,366	2,846	2,350	2,350	2,339	2,350	2,350	2,339
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,946	2,366	2,846	2,350	2,350	2,339	2,350	2,350	2,339
POSITIONS BY FUND:									
GENERAL	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Cash Bonus/Tuition Reimbursement
PROGRAM: Enlistment Incentives
AGENCY: Military Affairs, Department

ACTIVITY DESCRIPTION:

This activity serves 2 separate programs designed to enhance the strength of the Minnesota Army and Air National Guard.

1. The Tuition Reimbursement Program reimburses eligible Guard members for up to 50% of their tuition not to exceed 50% of the tuition charged at the undergraduate school, University of Minnesota.
2. The Reenlistment Bonus Program, currently under suspension, pays an annual bonus of \$250 for each year of reenlistment to a maximum of 6 years or \$1,500.
3. Guard members can participate in either program if they are eligible but may not receive monetary benefit from both during the bonus eligibility year.

BUDGET ISSUES:

1. The Tuition Reimbursement program is very successful and requires all or nearly all of the current annual appropriation. Even with the downsizing of the National Guard and subsequent loss of troop strength in Minnesota, those leaving as a result of the reductions were not participating in the tuition reimbursement program. In fact, only 6% of those members discharged since June 1, 1992 were participating. Those receiving the benefits have obviously realized how much they need that assistance and have done exactly what the program was designed to do - attract and retain quality soldiers and airmen.
2. New entitlement to the Reenlistment Bonus program had to be suspended on December 31, 1991 because of a serious shortfall in funds available for payments. The funds required to meet contractual obligations increase geometrically each year. When the program was originally funded, the base level established only allowed payments to 1,240 individuals. Even though the base amount available for the reenlistment bonus will not be sufficient to fund obligations in F.Y. 1994 and F.Y. 1995, carry forward amounts available within the entire Enlistment Incentives Budget Program should be sufficient to offset any shortfall. Listed below is the estimated number of individuals eligible for payments and the amount estimated for those payments.

	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Projected number of eligible individuals	2,172	1,937	1,643
Amount needed to support payments (@\$250)	\$543,000	\$484,250	\$410,750

EFFICIENCY MEASURES:

A review of the growth in the tuition reimbursement program is shown below. All applications and requests for payment action are processed by a single individual. The process is almost entirely automated allowing for the smooth flow of the process to reimburse our customers in a timely manner.

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
Number of participants	2,747	2,923	3,120
Number of applications processed	6,379	6,983	7,510
Number of payments	5,447	5,497	6,466

REVENUE:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS,DPT
PROGRAM: ENLISTMENT INCENTIVES
ACTIVITY: ENLISTMENT INCENTIVES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomn.	Current Spending	Agency Plan	Governor Recomn.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	324	528	568	335	336	325	335	337	326
SUBTOTAL STATE OPERATIONS	324	528	568	335	336	325	335	337	326
AIDS TO INDIVIDUALS	1,622	1,838	2,278	2,015	2,014	2,014	2,015	2,013	2,013
TOTAL EXPENDITURES	1,946	2,366	2,846	2,350	2,350	2,339	2,350	2,350	2,339
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<11>			<11>
TOTAL GOV'S INITIATIVES						<11>			<11>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,946	2,366	2,846	2,350	2,350	2,339	2,350	2,350	2,339
TOTAL FINANCING	1,946	2,366	2,846	2,350	2,350	2,339	2,350	2,350	2,339
POSITIONS BY FUND:									
GENERAL	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL POSITIONS	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

1994-95 Biennial Budget

AGENCY: Public Employment Relations Board (PERB)

INFORMATIONAL ONLY:

The budget pages for the Public Employment Relations Board are presented for historical information purposes only. No funding is being requested for the 1994-95 biennium.

The Laws of 1992, Chapter 582 eliminated the Board and modified arbitration procedures and re-assigned ancillary functions to the Bureau of Mediation Services.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBL EMPL REL BRD
PROGRAM: PUB EMP REL BD
ACTIVITY: PUB EMP REL BD

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Reconm.	Current Spending	Agency Plan	Governor Reconm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	66								
EXPENSES/CONTRACTUAL SRVCS	6								
MISC OPERATING EXPENSES	5								
SUPPLIES/MATERIALS/PARTS	2								
SUBTOTAL STATE OPERATIONS	79								
TOTAL EXPENDITURES	79								
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	79								
TOTAL FINANCING	79								
POSITIONS BY FUND:									
GENERAL	1.0	.0	.0	.0	.0	.0	.0	.0	.0
TOTAL POSITIONS	1.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

AGENCY: Amortization Aid to the Minneapolis Employees Retirement Fund

MISSION:

M.S.422.A established a state obligation to assist the city of Minneapolis in financing the unfunded liabilities of the Minneapolis Employees' Retirement Fund.

The annual state obligation to amortize unfunded liabilities is specified in statute as:

- The total annual level dollar contribution needed to amortize the unfunded liability by the year 2020, up to a maximum of \$10,455,000 (Laws 1991, Ch. 345). This amount is estimated by the actuary for the Legislative Commission on Pensions and Retirement in the annual valuation of the fund.

Less,

- A contribution from the city equal to:
 1. 2.5% of payroll, plus
 2. \$3,900,000 from all employers.
 3. Any remaining required contributions allocated to the Metropolitan Airports Commission and the Metropolitan Waste Commission.

The actuarial valuation completed at the close of F.Y. 1992 estimated the funds's liabilities at \$1,129,421 and assets at \$838,094. The unfunded actuarial accrued liability of the fund was \$259,746,000. The state's share of this unfunded liability is about 60%.

In addition, the state pays the full amortized cost of supplemental benefits for pre-1973 retirees. This liability is projected to be \$550,000 each year through 6-30-2020.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base-level funding of \$11,005,000 for each year of the 1994-95 biennium.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MPLS PENSION RETRMNT
PROGRAM: FIN MISC NON OPERATING
ACTIVITY: FIN MISC NON OPERATING

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	10,916	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
TOTAL EXPENDITURES	10,916	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	10,916	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
TOTAL FINANCING	10,916	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

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Minnesota State Retirement System

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
State Employees Retire.	39.6	39.8
Total Permanent Positions	<u>39.6</u>	<u>39.8</u>
TOTAL Positions	<u>39.6</u>	<u>39.8</u>
Employees on 6/30/92	38.0	

Employees by Employment Status:
--

	<u>6/30/92</u>
Full-Time Unlimited	36.0
Full-Time Temporary	1.0
Part-Time Unlimited	<u>1.0</u>
TOTAL	<u>38.0</u>

1994-95 Biennial Budget

AGENCY: Minnesota State Retirement System (MSRS)

MISSION STATEMENT:

The MSRS is a service agency that provides a comprehensive retirement program for public employees working throughout the state. Membership is comprised mainly of state employees, state law enforcement officers, constitutional officers, legislators, judges, employees from the University of Minnesota, the Metropolitan Transit Commission and employees from other designated public agencies. In total, the system provides an overall retirement program for 185 agencies. In addition, MSRS also manages a tax-deferred income plan that is available to all public employees in Minnesota.

Operations of the MSRS retirement plans is based on a computerized system that maintains an individual account for every participating member. The system maintains a complete record of each member's contributions, refunds, years of employment, current status, and other program information.

CLIMATE:

Membership in F.Y. 1992 was over 73,000 persons. Another 16,000 received monthly retirement payments or survivor benefits. Over 4,100 refunds were paid during the year to members terminating their public service and withdrawing from the retirement program.

The retirement programs are operated from retirement trust funds with employee contributions, employer contributions and investment income. Expenditure levels are determined by employee numbers, salary, turnover, retirements and the investment return on assets. Those expenditures and our clientele are determined by law and reflect the long-term nature of retirement programs with little short-term spending discretion.

Agency priorities include:

1. To provide guidance through individual and group counseling, handbooks, and other methods, so that members are informed of current retirement programs and income deferral options.
2. To make the monthly retirement disability, and survivor benefit payments on an accurate, efficient basis.
3. To make refunds on a timely basis for members withdrawing from the system.
4. To maintain minimal cash balances so that investment returns are maximized.

AGENCY BUDGET PLAN:

Because expenditures are driven by outside factors, mainly long-term in nature, short-term budget issues are limited. The single overriding issue is the long-term maintenance and enhancement of financial stability in the funds administered.

General Fund appropriations requirements are for the funding of retirement obligations for constitutional officers, legislators and judges not participating in the post-retirement fund.

ACTIVITY STATISTICS:

	F.Y. 1991	F.Y. 1992	PROJECTED		
			F.Y. 1993	F.Y. 1994	F.Y. 1995
Total Membership	71,493	73,048	74,000	75,000	76,000
Refunds Paid to Members	\$4,391	\$4,152	\$4,200	\$4,250	\$4,250
New Retirees Added During the Year	1,264	1,249	1,150	1,200	1,250
Retired Members or Survivors Paid Monthly	16,033	16,993	17,300	17,900	18,500
Investments (\$'s in millions)	\$3,278	\$3,758	\$4,100	\$4,500	\$4,900
Contributions (\$'s in millions)					
Employee	\$83	\$88	\$91	\$94	\$97
Employer	\$70	\$76	\$78	\$80	\$93

GOVERNOR'S RECOMMENDATION:

The Governor's concurs with the agency's plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RET SYST

PROGRAM RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MN STATE RETIREMENT SYSTEM	106,491	116,995	121,915	121,915	127,372	127,372	121,915	133,069	133,069
JUDGES RETIREMENT PLAN	10,142	4,678	6,334	6,334	6,619	6,619	6,334	6,917	6,917
LEGISLATIVE RETIREMENT PLAN	3,313	2,265	3,294	3,294	3,373	3,373	3,294	3,435	3,435
ELECTIVE OFFICERS RETIREMENT PLAN	123	119	125	125	200	200	125	200	200
TOTAL EXPENDITURES BY PROGRAM	120,069	124,057	131,668	131,668	137,564	137,564	131,668	143,621	143,621
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	5,900								
OPEN APPROPRIATIONS:									
GENERAL	2,273	1,109	2,105	2,105	2,200	2,200	2,105	2,200	2,200
JUDGES RETIREMENT			1,421	1,421	1,485	1,485	1,421	1,552	1,552
STATUTORY APPROPRIATIONS:									
CORR EMPL RET	3,622	3,901	4,169	4,169	4,359	4,359	4,169	4,552	4,552
AGENCY	1,163	1,275	1,314	1,314	1,373	1,373	1,314	1,435	1,435
STATE EMP RETIREMENT	88,579	97,585	102,115	102,115	106,684	106,684	102,115	111,463	111,463
HIGHWAY PATROL RET	8,824	9,701	10,241	10,241	10,702	10,702	10,241	11,180	11,180
STATE UNC EMP RET	218	214	151	151	156	156	151	161	161
MSRS DEFERRED COMP	5,248	5,594	5,239	5,239	5,471	5,471	5,239	5,713	5,713
JUDGES RETIREMENT	4,242	4,678	4,913	4,913	5,134	5,134	4,913	5,365	5,365
TOTAL FINANCING	120,069	124,057	131,668	131,668	137,564	137,564	131,668	143,621	143,621
POSITIONS BY FUND:									
STATE EMP RETIREMENT	39.6	38.6	39.8	39.8	39.8	39.8	39.8	39.8	39.8
TOTAL POSITIONS	39.6	38.6	39.8	39.8	39.8	39.8	39.8	39.8	39.8

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: MINN STATE RET SYST

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	131,668	131,668	2,105	2,105	129,563	129,563		
CURRENT SPENDING	131,668	131,668	2,105	2,105	129,563	129,563		
FORECAST ADJUSTMENTS								
DED STAT APPROP SPENDING	5,896	11,953	95	95	5,801	11,858		
SUBTOTAL FORECAST ADJ.	5,896	11,953	95	95	5,801	11,858		
AGENCY BASE	137,564	143,621	2,200	2,200	135,364	141,421		

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RET SYST
PROGRAM: MN STATE RETIREMENT SYSTEM

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
DEFERRED COMPENSATION	5,248	5,594	5,239	5,239	5,471	5,471	5,239	5,713	5,713
HMY PATROL RETMNT	8,824	9,701	10,241	10,241	10,702	10,702	10,241	11,180	11,180
CORRECTIONAL EMPL RETMNT	3,622	3,901	4,169	4,169	4,359	4,359	4,169	4,552	4,552
UNCLASSIFIED EMPL RETMNT	218	214	151	151	156	156	151	161	161
STATE EMPL RETMNT	85,981	95,021	99,430	99,430	103,904	103,904	99,430	108,580	108,580
MSRS ADMINISTRATION	2,598	2,564	2,685	2,685	2,780	2,780	2,685	2,883	2,883
TOTAL EXPENDITURES BY ACTIVITY	106,491	116,995	121,915	121,915	127,372	127,372	121,915	133,069	133,069
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
CORR EMPL RET	3,622	3,901	4,169	4,169	4,359	4,359	4,169	4,552	4,552
STATE EMP RETIREMENT	88,579	97,585	102,115	102,115	106,684	106,684	102,115	111,463	111,463
HIGHWAY PATROL RET	8,824	9,701	10,241	10,241	10,702	10,702	10,241	11,180	11,180
STATE UNC EMP RET	218	214	151	151	156	156	151	161	161
MSRS DEFERRED COMP	5,248	5,594	5,239	5,239	5,471	5,471	5,239	5,713	5,713
TOTAL FINANCING	106,491	116,995	121,915	121,915	127,372	127,372	121,915	133,069	133,069
POSITIONS BY FUND:									
STATE EMP RETIREMENT	39.6	38.6	39.8	39.8	39.8	39.8	39.8	39.8	39.8
TOTAL POSITIONS	39.6	38.6	39.8	39.8	39.8	39.8	39.8	39.8	39.8

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RET SYST
PROGRAM: JUDGES RETIREMENT PLAN

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
JUDGES RETIREMENT PLAN	10,142	4,678	6,334	6,334	6,619	6,619	6,334	6,917	6,917
TOTAL EXPENDITURES BY ACTIVITY	10,142	4,678	6,334	6,334	6,619	6,619	6,334	6,917	6,917
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	5,900								
OPEN APPROPRIATIONS:									
JUDGES RETIREMENT			1,421	1,421	1,485	1,485	1,421	1,552	1,552
STATUTORY APPROPRIATIONS:									
JUDGES RETIREMENT	4,242	4,678	4,913	4,913	5,134	5,134	4,913	5,365	5,365
TOTAL FINANCING	10,142	4,678	6,334	6,334	6,619	6,619	6,334	6,917	6,917
POSITIONS BY FUND:									

TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RET SYST
PROGRAM: LEGISLATIVE RETIREMENT PLAN

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
LEGISLATIVE RETIREMENT PLAN	3,313	2,265	3,294	3,294	3,373	3,373	3,294	3,435	3,435
TOTAL EXPENDITURES BY ACTIVITY	3,313	2,265	3,294	3,294	3,373	3,373	3,294	3,435	3,435
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
GENERAL	2,150	990	1,980	1,980	2,000	2,000	1,980	2,000	2,000
STATUTORY APPROPRIATIONS:									
AGENCY	1,163	1,275	1,314	1,314	1,373	1,373	1,314	1,435	1,435
TOTAL FINANCING	3,313	2,265	3,294	3,294	3,373	3,373	3,294	3,435	3,435
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

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1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RET SYST
PROGRAM: ELECTIVE OFFICERS RETIREMENT PLAN

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ELECTIVE OFFICERS RETIREMENT PLAN	123	119	125	125	200	200	125	200	200
TOTAL EXPENDITURES BY ACTIVITY	123	119	125	125	200	200	125	200	200
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
GENERAL	123	119	125	125	200	200	125	200	200
TOTAL FINANCING	123	119	125	125	200	200	125	200	200
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

AGENCY: Public Employees Retirement Association

MISSION:

PERA is a service organization whose purpose is the administration and maintenance of a retirement system for the employees of governmental units within the State of Minnesota. PERA serves over 2,000 separate units of government including cities, counties, townships, school districts, and other units of government whose revenue is derived from taxation, fees or assessments. PERA was created by legislative act in 1931, and administers its funds in accordance with M.S. Chapters 353 to 353D and 356. The administration of PERA is under the direction of a ten member board of trustees who appoint an executive director to serve as the statutory head of the agency. Through legislation, PERA became a state agency in 1985.

Monthly retirement, survivor and disability payments are issued by PERA to annuitants and beneficiaries. Revenues are derived from employee and employer contributions and from income earned on investments. All employees of governmental units within the state are required by law to be members of PERA unless they do not meet the criteria for membership, or they are included in another retirement system. There are 3 major categories of membership within the association:

1. Coordinated—employees who are also covered under social security;
2. Basic—employees not covered by social security, employed prior to 1968; AND
3. Police and Fire - police officers, fire fighters and others authorized by statute.

SERVICES:

1. Collect payroll contributions from each eligible employee and employer among 2,400 units.
2. Issue monthly payments to benefit recipients on the first day of the month.
3. Maintain the PERA Regular Fund (basic and coordinated plans) of over \$3.9 billion in assets and a Police and Fire Fund in excess of \$960 million in assets.
4. Maintain accounts for each of approximately 117,000 active members, 4,700 deferred members, 31,000 retirees, and 3,500 disabilitants and survivors.
5. Advise and provide information to members and employers in a timely manner.
6. Immediately invest all available funds to maximize investment income.
7. Obtain annual actuarial valuations which accurately assess the financial condition of the association's assets and liabilities.

<u>STATISTICS:</u>	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Contributions (in Millions)				
Employee	\$146.7	\$158.4	\$171.1	\$184.8
Employer	146.7	\$158.4	\$171.1	\$184.8
Active Contributing Members	117,000	122,000	127,000	133,000
Retirees, Survivors and Disabilitants	34,925	37,000	39,200	41,600
Average Monthly Annuity	\$563	\$590	\$620	\$650
Filled FTE	63.85	64.85	64.85	64.85
Ratio of Staff to Members	1/2302	1/2382	1/2466	1/2552
Administrative Costs per Account	\$28	\$29	\$30	\$31

OUTCOMES/OBJECTIVES:

In February of 1991, a multi-phase project was initiated to evaluate current processes and information systems in order to determine what should be changed to improve PERA's operational performance, and to plan strategies to guide organizational change in the future. Although the organization has achieved success and recognition for its ability to respond to change and deliver quality services, it became increasingly apparent that increasing demands for greater productivity, quality information, and faster service delivery could not be met with current information systems technology and processing methods.

The initial phase of this project was devoted to ascertain what services are desired by our clientele and to evaluate the level of existing service quality to determine where improvement is needed. Efforts to obtain feedback from members and retirees included scientific and newsletter surveys, and focus groups meetings with employer representatives. Town meetings were restructured for more effective communication between members and PERA Trustees and staff, and members who received refunds were surveyed to determine satisfaction levels with tax information and the speed with which their refund was processed.

The following is a list of project initiatives that will be implemented over the next several years:

1. Restructure and build information systems so data can be easily and efficiently accessed, shared, and maintained.
2. Work with employer units to develop efficient and economical reporting procedures and methods, and provide efficient employer training.
3. Design information service programs and materials to effectively communicate useful and appropriate information, and provide current technology to enable information to be easily accessible.
4. Develop an employee training program and provide training opportunities and methods to expand employee knowledge of PERA's processes and data.
5. Develop and enforce use of guidelines and standards for systems review, policy decision-making, and internal control requirements.
6. Continue to develop strategies to involve employees in PERA's planning process, and keep employees informed and updated on status of planning activities and accomplishments.

In F.Y. 1993, the second phase of the project began in which planning efforts will focus on specific operational areas. In this phase, detail analysis will be performed to determine information requirements and methods to improve processing efficiency to provide information in a more timely manner. Once this analysis is completed, planning will then move to the development stage.

The specific operational areas that have been identified by management include the following:

1. A new membership information system will be developed using new database technology so more complete information on members can be easily accessed and efficiently maintained.
2. More efficient methods for calculating benefit levels will be developed. This will ensure that benefit payments are both accurate and timely.
3. Payroll reporting procedures will be improved to enable employers to efficiently provide accurate and timely information to PERA.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBL EMPL RET ASSOCN
PROGRAM: PUBLIC EMPL RETR ASN
ACTIVITY: PERA ADMINISTRATION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomn.	Current Spending	Agency Plan	Governor Recomn.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,428	2,556	2,735	2,735	2,735	2,735	2,735	2,735	2,735
EXPENSES/CONTRACTUAL SRVCS	1,373	1,365	1,405	1,405	1,405	1,405	1,405	1,405	1,405
MISC OPERATING EXPENSES	396	442	482	482	482	482	482	482	482
SUPPLIES/MATERIALS/PARTS	63	84	92	92	92	92	92	92	92
CAPITAL EQUIPMENT	11	50	100	100	100	100	100	100	100
OTHER	227,781	251,984	350,517	350,517	385,568	385,568	350,517	424,125	424,125
SUBTOTAL STATE OPERATIONS	232,052	256,481	355,331	355,331	390,382	390,382	355,331	428,939	428,939
TOTAL EXPENDITURES	232,052	256,481	355,331	355,331	390,382	390,382	355,331	428,939	428,939
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
PUBLIC EMP RET ASSOC	204,602	223,993	325,238	325,238	355,775	355,775	325,238	389,141	389,141
PUBLIC EMP POL FIRE	27,450	32,488	30,093	30,093	34,607	34,607	30,093	39,798	39,798
TOTAL FINANCING	232,052	256,481	355,331	355,331	390,382	390,382	355,331	428,939	428,939
POSITIONS BY FUND:									
PUBLIC EMP RET ASSOC	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0
TOTAL POSITIONS	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: PUBL EMPL RET ASSOCH

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95
F.Y. 93 FUNDING LEVEL	355,331	355,331			355,331	355,331		
CURRENT SPENDING	355,331	355,331			355,331	355,331		
FORECAST ADJUSTMENTS								
DED STAT APPROP SPENDING	35,051	73,608			35,051	73,608		
SUBTOTAL FORECAST ADJ.	35,051	73,608			35,051	73,608		
AGENCY BASE	390,382	428,939			390,382	428,939		

Teachers Retirement Association

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	Current <u>F.Y. 1993</u>	Requested <u>for 6/30/95</u>
Legislative Complement:		
Special Revenue	57.0	57.0
Total Permanent Positions	<u>57.0</u>	<u>57.0</u>
TOTAL Positions	<u>57.0</u>	<u>57.0</u>
Employees on 6/30/92	51.0	

Employees by Employment Status:
--

	<u>6/30/92</u>
Full-Time Unlimited	<u>51.0</u>
TOTAL	<u>51.0</u>

1994-95 Biennial Budget

AGENCY: Teachers Retirement Association

MISSION:

The mission of the Minnesota Teachers Retirement Association is to provide a secure, dependable source of retirement income for its members.

To accomplish this, the Teachers Retirement Association (TRA) will:

1. Reliably receive and account for retirement fund contributions, precisely and dependably disburse benefits, and maintain accurate records of all related activities.
2. Provide quality services to assist teachers and their beneficiaries in understanding and using the TRA program and benefits.
3. Support the maintenance and enhancement of a high quality, well managed teachers' retirement program.

MINNESOTA MILESTONES:

One goal for the state of Minnesota is that its people will have the economic means to maintain a reasonable standard of living. To provide TRA retirees with this economic security during their retirement years, TRA will continue to provide high quality, reliable and accurate benefit payments.

In response to the making state government more efficient, TRA will develop improved operations and information systems to handle volume increases and to enable TRA to shift its resources from operations to providing additional direct member and benefit recipient services.

To better educate our members with respect to their pension benefits, TRA intends to provide more comprehensive retirement planning service in conjunction with information provided from other retirement planning sources such as social security, tax and financial advisors.

CLIMATE:

TRA will continue to make precise and timely benefit payments to approximately 20,000 benefit recipients each month and will initiate payments for approximately 1,600 new retirees each year. TRA will continue to provide pre-retirement counseling service in the TRA office and at 15 outstate counseling sites. Last year over 2,700 individual counseling sessions were conducted. In addition, annual statements of account are mailed to over 65,000 active members providing them a summary of their current account status and projected pension benefits.

Advancements in information technology give rise to a greater level of expectation from TRA's membership for increased communication and a greater level of service. TRA is continually striving to respond to these expectations.

AGENCY BUDGET PLAN:

The fund operates on employee and employer contributions from employer units, plus investment income from reserves. The current staffing level is adequate for the present level of support. New initiatives will require staffing to the full complement.

GOVERNOR'S RECOMMENDATION

The Governor concurs with the agency's plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TCHRS RET ASSOCH
PROGRAM: TEACHERS RETIRE ASN
ACTIVITY: TEACHERS RETIRE ASN

ACTIVITY SUMMARY	FY 1994			FY 1995					
	Est. FY 1993	FY 1992	FY 1991	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,470	1,982	1,930	2,470	2,470	2,470	2,470	2,470	2,470
EXPENSES/CONTRACTUAL SRVCS	1,043	874	893	1,043	1,043	1,043	1,043	1,043	1,043
MISC OPERATING EXPENSES	332	244	264	332	332	332	332	332	332
SUPPLIES/MATERIALS/PARTS	40	26	35	40	40	40	40	40	40
CAPITAL EQUIPMENT	70	45	41	70	70	70	70	70	70
OTHER	265,100	227,085	203,576	265,100	300,100	300,100	265,100	340,100	340,100
SUBTOTAL STATE OPERATIONS	269,055	230,256	206,739	269,055	304,055	304,055	269,055	344,055	344,055
AIDS TO INDIVIDUALS	4			4	4	4	4	4	4
LOCAL ASSISTANCE		10	1						
TOTAL EXPENDITURES	269,059	230,266	206,740	269,059	304,059	304,059	269,059	344,059	344,059
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
TEACHERS RETIREMENT	269,059	230,266	203,359	269,059	304,059	304,059	269,059	344,059	344,059
STATE UNIV SUPP			3,381						
TOTAL FINANCING	269,059	230,266	206,740	269,059	304,059	304,059	269,059	344,059	344,059
POSITIONS BY FUND:									
TEACHERS RETIREMENT	57.0	57.0	57.9	57.0	57.0	57.0	57.0	57.0	57.0
TOTAL POSITIONS	57.0	57.0	57.9	57.0	57.0	57.0	57.0	57.0	57.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: TCHRS RET ASSOCH

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	269,059	269,059			269,059	269,059		
CURRENT SPENDING	269,059	269,059			269,059	269,059		
FORECAST ADJUSTMENTS								
OPEN APPROPRIATION ADJUSTMENT	35,000	75,000			35,000	75,000		
SUBTOTAL FORECAST ADJ.	35,000	75,000			35,000	75,000		
AGENCY BASE	304,059	344,059			304,059	344,059		

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1994-95 Biennial Budget

AGENCY: Local Police-Fire Amortization Aid

MISSION:

M.S.423A.02 established a state obligation to provide aid to assist local police or fire retirement associations with the financing of their unfunded liabilities. Only those associations being phased out are eligible for the aid.

Current statute established the aid for each of the associations at a fixed amount until the association ceases to exist. Laws of 1991, Ch. 290, established that this amortization state aid should not exceed a cap of \$5,055,000.

At the close of calendar year 1991, the actuarial liability of these funds was \$1,099,529,000. Assets stood at \$796,254,000 leaving an unfunded liability of \$303,275,000.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base level funding for this amortization subsidy.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LOCAL POL-FIRE AMORT
PROGRAM: NON PROGRAMATIC

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
AMORTIZATION STATE AID	3,632	5,055	3,035	3,035	5,055	5,055	3,035	5,055	5,055
SUPPLEMENTAL AMORTIZATION STATE AI	757	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
VOLUNTEER FIRE SUPPLEMENTAL	358	394							
TOTAL EXPENDITURES BY ACTIVITY	4,747	6,449	4,035	4,035	6,055	6,055	4,035	6,055	6,055
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	358	394							
OPEN APPROPRIATIONS:									
GENERAL	4,389	6,055	4,035	4,035	6,055	6,055	4,035	6,055	6,055
TOTAL FINANCING	4,747	6,449	4,035	4,035	6,055	6,055	4,035	6,055	6,055
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

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1994-95 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: REVENUE, DEPARTMENT OF

PROGRAM

PAGE

REVENUE SYSTEM MANAGEMENT

E-321

Income Tax System Management

Payroll Tax System Management

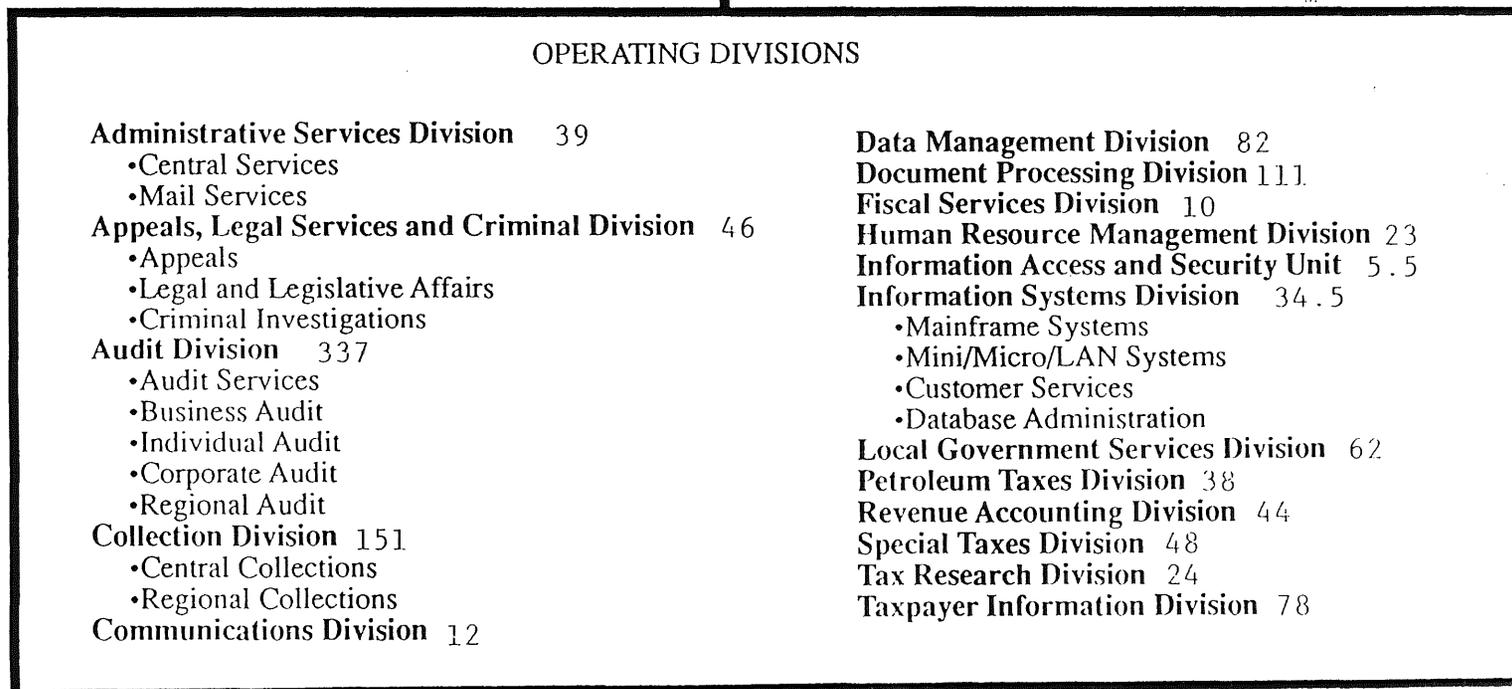
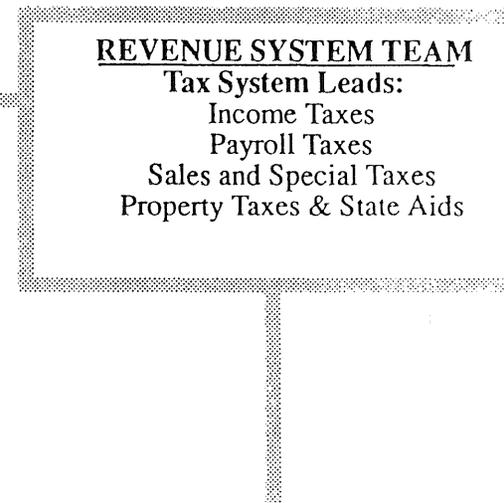
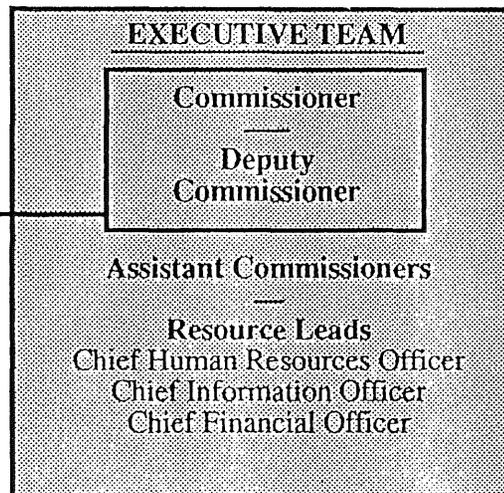
Sales and Special Tax System Management

Property Tax System Management

Minnesota Department of Revenue
 ORGANIZATION CHART
 October 1992

Total Permanent Positions 1,174

Commissioner's Staff: 29
 •Affirmative Action
 •Taxpayer Rights Advocate
 •Internal Audit
 •Management Services



Department of Revenue
Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current</u> <u>F.Y. 1993</u>	<u>Requested</u> <u>for 6/30/95</u>
Legislative Complement:		
General Fund	1,134.0	994.0
Highway User Fund	38.0	38.0
MnCare	0	25.0
Metro Landfill Contingency	1.0	1.0
Environment	1.0	1.0
Total Permanent Positions	<u>1,174.0</u>	<u>1,059.0</u>
Other Complement (FTE)	147.0	147.0
TOTAL Positions	<u>1,321.0</u>	<u>1,206.0</u>
Employees on 6/30/92	1,121.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	964.0
Full-Time Temporary	46.0
Full-Time Seasonal	53.0
Part-Time Unlimited	52.0
Part-Time Temporary	2.0
Part-Time Seasonal	<u>4.0</u>
TOTAL	1,121.0

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$68,463	\$68,900	\$137,363
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$68,463	\$68,900	\$137,363
Inflation Cost Increase	2,396	4,808	7,204
Agency Management Decisions			
Reduce/Eliminate Functions	\$(5,300)	\$(6,200)	\$(11,500)
Less: Seasonals	(200)	(650)	(850)
Rent		(150)	(150)
Printing		(100)	(100)
Postage		(120)	(120)
Travel	(100)	(272)	(372)
Equipment	<u>(219)</u>	<u>(761)</u>	<u>(980)</u>
Subtotal	<u>\$(5,819)</u>	<u>\$(8,253)</u>	<u>\$(14,072)</u>
TOTAL AGENCY PLAN	\$65,040	\$65,455	\$130,495
Governor's Initiatives			
Restore Agency Reductions to Compliance-Related Activities	\$ 1,900	\$ 1,900	\$ 3,800
Salary Planning Estimates	<u>(1,455)</u>	<u>(1,460)</u>	<u>(2,915)</u>
GOVERNOR'S RECOMMENDATION	<u>\$64,485</u>	<u>\$65,895</u>	<u>\$131,380</u>
	<u>\$65,485</u>		

Brief Explanation of Agency's Overall Actions:

In dealing with the base reduction, the department will invest available money on the activities that best serve our mission, which is to win compliance with Minnesota's revenue system.

Voluntary compliance on the part of taxpayers accounts for over 97% of all revenues collected by the department. Although less than 3% of revenues directly result from auditing and collection activities, those activities represent 40% of our budget. Therefore, our spending decisions will reduce money for those areas. Our goal is to protect the long-term investments needed to maintain or improve voluntary compliance while minimizing revenue reductions in the short-term.

Our priorities are the essential processes that support voluntary compliance: sending out forms and instructions, providing taxpayer information and assistance, opening and processing returns and refunds, depositing funds, managing account information, and administering the local property tax system.

The decision will affect all 4 tax systems:

1. *For income tax*, we will cease corporate rule-making. We will virtually stop individual income tax field audits. We will phase out storage of paper individual income tax returns, which will place the *practical* burden of record keeping on taxpayers (they currently have the legal burden of maintaining these files; we have maintained the filed return as a convenience to them).
2. *For sales tax*, we will reduce field audit presence, production support for service, technical assistance, and will slow down (but not stop) our upgrade plans for the information technology needed to fully implement the new sales tax system.
3. *For payroll taxes*, we will not be able to bring the withholding tax system "home" from the lockbox bank. There will also be delays in applying payments and sending demand notices to non-filers.
4. *In the property tax area*, we will have less support for property tax refund processing and service, and we will reduce the level of activity aimed at detecting fraudulent refund returns. Elsewhere, the principal service level impact will be on county officials, who will have less access to support from the department in administering the property tax system.

Two potential impacts will affect the department's customers, but as yet we cannot quantify the impact.

First, more cases will be passed through our in-house collections activities to collection agencies, because we will be unable to manage the case load. This may result in some revenue loss because collection agencies typically cost more per dollar of collection than does the department. On the other hand, the increased volume of cases which may be worked in this way may in the short term offset the per-case cost differential. This remains to be seen; a test program is currently in operation to compare results.

Equally significant is the service level degradation. Collection agencies only get paid for immediate collections, and therefore are generally disinclined to extend to the taxpayer options such as payment agreements and compromises, or to spend time helping taxpayers get their accounting systems cleared up.

Second, we do not have all the knowledge we need to accurately assess the impact on long-term compliance of reductions in communications and taxpayer service. We do not know the revenue impact of failing to adequately fund these processes. What would be the cost of not sending out forms and instructions? Of not opening the mail in a timely fashion? Of not answering phones? Of delaying processing? We cannot say; but in an operation that produces \$7.1 billion through voluntary compliance, any such change is bound to have a significant impact.

Some of these actions have short-term negative consequences for state revenues and services to our customers. However, the following investments will minimize these impacts over the long-term, and will result in improved service to our customers.

Complete the implementation of the re-engineered sales tax system to dramatically improve turnaround time, improve the accuracy of the taxpayer information, ease filing and payment requirements, reduce the costs of file management and facilitate the rapid depositing of funds. The re-engineered processes will also give us valuable information that will help us improve the performance of the other tax systems.

Expand the availability of electronic filing system (EFS), electronic funds transfer (EFT), and electronic data interchange (EDI). We need to invest in improved business processes if we are to handle the ever-growing volume and complexity of transactions with the same or fewer resources. These technologies will eventually reduce our per-transaction costs of processing (less data entry and less errors to correct), the costs of mailing forms as well as checks, and the costs of file maintenance and retrieval. However, we know that because of increased volume, absolute costs will not drop.

Continue to invest in technology and training to build on the productivity gains we have made in audit and collection.

Expand our research to better understand the nature and scope of non-compliance as a basis for determining what actions and/or law changes are necessary to promote compliance, to improve our ability to provide targeted services to specific groups, and to develop performance measures for operational decision making;

Apply current technologies to improve services at the least cost: expand the voice-activated telephone system to increase response rates for taxpayers' inquiries; expand and improve text retrieval system to allow employees and tax preparers to have ready access to instructions, rulings and legal opinions; and make use of optical scanning equipment to speed processing and reduce costs;

Enter into partnerships with other state, federal agencies and with local governments to reduce duplication of functions, information gathering, and reporting.

In summary, we believe that the mix of investments and cuts in services in this budget protects the \$7.1 billion in voluntary compliance revenues while maintaining a visible and effective direct compliance presence.

2. Impact on Staffing:	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Positions left Vacant or Eliminated	140.0	140.0

3. Impact on Revenue Generation:

The department is currently developing an estimate of the net financial impact of the projected reductions and redistributions within the budget.

Generally, redistributions have taken place internally to:

- 1) control costs in core processing and service areas;

- 2) increase customer service quality, emphasizing voluntary compliance over more expensive direct compliance efforts;
- 3) make greater use of research and technology in direct compliance areas to provide better services and increase revenues from audit and collection production; and
- 4) accelerate the process of sending older and smaller liabilities to private collection agencies.

We do not anticipate a direct revenue increase due to the first item identified above. The second should logically produce additional revenue due to the ripple effect, which we are undertaking measurement development methods to quantify. The change in item three was figured into our revenue loss estimates as an offset to the compliance losses due to the combined 5% base cut and inflation. The direct revenue impact is estimated to be (\$6) million in F.Y. 1994 and (\$12) million in subsequent years. Indirect impact or "ripple effect" is much less readily determined, and we do not have a specific estimate of that number. The net result of the last item will be more accurately estimated in late January. We anticipate an overall acceleration of receipts, although no actual increase in receivables will result from these changes.

While some of the impacts are fairly easy to estimate based on empirical evidence and experience, others can only be estimated using academic models or heuristics with a very wide confidence interval.

<u>Agency Plan</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
Direct Revenue Loss	\$(6,000)	\$(12,000)	\$(18,000)
<u>Governor's Initiatives</u>			
Mitigate Revenue Loss through Agency Funding Restoration	\$6,000	\$12,000	\$18,000
Net Revenue Loss	\$-0-	\$-0-	\$-0-

4. Affected Statutes:

None.

5. Governor's Recommendation:

The Governor recommends an agency General Fund expenditure level of \$131.4 million for the biennium, which restores funding of \$3.8 million and 40.0 positions for compliance-related activities and recommends salary planning estimate savings of \$2.9 million for the biennium.

The Governor recommends that the department have funding restored for compliance-related activities to mitigate the projected direct revenue loss that would have resulted from the base budget reduction, as presented by the agency. Funds from this initiative will be designated for direct compliance: taxpayer assistance and information, targeted audit and collection activities, and directly related support services.

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of

Fund: Highway User Tax Distribution

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$1,715	\$1,715	\$3,430
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$1,715	\$1,715	\$3,430
Inflation Cost Increase	60	62	122
Agency Management Decisions			
Hold 2.0 positions vacant	<u>\$ (60)</u>	<u>\$ (62)</u>	<u>\$ (122)</u>
TOTAL AGENCY PLAN	\$1,715	\$1,715	\$3,430
Governor's Initiatives			
Salary Planning Estimates	<u>\$ (46)</u>	<u>\$ (46)</u>	<u>\$ (92)</u>
GOVERNOR'S RECOMMENDATION	<u>\$1,669</u>	<u>\$1,669</u>	<u>\$3,338</u>

Brief Explanation of Agency's Overall Actions:

The 2.0 vacant positions will reduce the audit coverage and the level of service provided in greater Minnesota. The Petroleum Division, in conjunction with the IRS and several midwestern states, is participating in a motor fuel tax compliance project sponsored by the Federal Highway Administration. The Department of Revenue will be eligible for \$50,000 annually through F.Y. 1997 to augment their motor fuel tax compliance and interstate investigation efforts. The department anticipates that their participation with the IRS, Federal Highway Administration and surrounding states in this cooperative compliance program will minimize the impact of the vacant positions.

2. Impact on Staffing:

F.Y. 1994

F.Y. 1995

Positions left Vacant

2.0

2.0

3. Impact on Revenue Generation:

F.Y. 1994

F.Y. 1995

F.Y. 94-95

Agency Plan

\$-0-

\$-0-

\$-0-

No direct revenue loss is expected because of participation in the high visibility compliance project sponsored by the Federal Highway Administration.

4. Affected Statutes:

None.

5. Governor's Recommendation:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) LANDFILL CLEANUP & SOLID WASTE MGT	ENV	46	46	92			
	MLC	<46>	<46>	<92>			
(A) SALARY PLANNING ESTIMATES	GEN	<1,455>	<1,460>	<2,915>			
	HCA	<16>	<28>	<44>			
	HUT	<46>	<46>	<92>			
	ENV	<1>	<1>	<2>			
(P) RESTORE AGENCY REDUCTION	GEN	1,900	1,900	3,800			
TOTAL BY FUND	GEN	445	440	885			
	HCA	<16>	<28>	<44>			
	HUT	<46>	<46>	<92>			
	ENV	45	45	90			
	MLC	<46>	<46>	<92>			
TOTAL INVESTMENT INITIATIVES		382	365	747			

AGENCY: Revenue, Department of

MISSION STATEMENT:

The Minnesota Department of Revenue's mission is to win taxpayer compliance with Minnesota's revenue system.

The strength of the state's revenue system depends on citizens voluntarily complying with the tax laws. In administering this system, the department is responsible for supporting both citizens and the revenue system itself. To do so, we have developed a five-stage "winning compliance cycle" that begins with sound policy and includes education, service, feedback, and progressive enforcement:

1. We work to develop sound revenue policy, based on principles of fairness, efficiency, reliability, competitiveness, and understandability.
2. We educate citizens about their rights and responsibilities under the law.
3. We serve our customers—citizens—to help them comply with the law.
4. We give feedback to citizens through auditing and other means to let them know how they are doing as individuals; we also develop and share information on the extent of collective compliance and on the performance of the revenue system.
5. We use progressively tougher enforcement measures as necessary when taxpayers fail to meet their obligations, individually tailoring our responses as much as possible.

OUTCOMES:

The purpose of the winning compliance cycle is to achieve the following outcomes, which we believe are essential to winning compliance:

1. The revenue system: The revenue system is fair, efficient, reliable, competitive, and understandable in structure and operation.
2. Compliance: Taxpayers are individually complying with the tax laws, everyone pays his or her fair share of taxes—neither more nor less than is owed.
3. Departmental systems: We are performing our work with speed, accuracy, at the least cost and minimal burden on our taxpayers.
4. Customer service: Our customer's needs are identified and met.
5. Confidence in the revenue system: Citizens and their elected representatives have confidence in and an understanding of Minnesota's revenue system.

Department organization. In our budget narrative for the F.Y. 1992-93 biennium, we discussed our decision to shift from a functional structure to programs based on tax system management. We formally adopted tax system management at the beginning of calendar year 1992. Our budget for F.Y. 1994-95 is also organized according to tax systems.

The department budget is organized into 4 areas. Each area corresponds with the one of the 4 principal tax systems that make up the revenue system:

1. The income tax system,
2. The payroll tax (income tax withholding) system,
3. The sales and special tax system, and
4. The property tax and local government aid system.

Each tax system is led by a department executive, who provides executive leadership for the tax system. This executive leads a cross-functional team that is responsible for identifying issues and challenges in connection with gaining compliance with the state's tax laws; establishing goals or outcomes for the tax system; and for developing performance measures of progress in achieving those goals and outcomes.

Leadership for the revenue system as a whole comes from the revenue system team (RST). The tax system leaders serve on the RST, which is headed jointly by the commissioner and an assistant commissioner. This team is responsible for addressing issues that affect the whole revenue system, and for ensuring coordination among the tax system teams.

Our program structure ensures that Minnesota's revenue system will be managed with an overall, system-wide view for the benefit of citizens, taxpayers, and state government. However, our day-to-day operations are still managed in the 16 functional divisions. For example, there is only 1 Collections Division; we have not set up separate units for each of the tax types. Where executive leadership focuses on the revenue and tax systems, our functional divisions ensure that activities are carried out with maximum efficiency.

MINNESOTA MILESTONES:

Our vision for the revenue system is closely tied to 2 of the vision statements set forth in Minnesota Milestones: "Our economic activity will create wealth and provide a good standard of living for all our people," and "our government will be responsive, effective and close to the people." Our vision, as described in the department's strategic plan, is of a revenue system that is fair, efficient, reliable, competitive and understandable, in both structure and in operation. We envision a system where people pay their fair share of taxes, have a say in the decisions that affect them, and believe that they get fair value for their tax dollars.

Economic activity to create wealth and provide a good standard of living. We believe that a structurally sound revenue system is essential to reaching this goal. Further, we believe that developing such a system will require open, public, and broad-based discussions, similar to those on which Minnesota Milestones itself drew for inspiration and direction. To that end, we have developed a model revenue system to serve both as a vehicle for public discussion on tax policy, and as a measure of progress in creating sound tax policy.

AGENCY: Revenue, Department of
(Continuation)

Responsive, effective government. Meeting this goal requires a revenue system that is sound operationally. To ensure that the revenue system is sound in operation as well as structure, we have applied many of the principles of Total Quality Management (e.g. continuous improvement, employee involvement in decision making). In sales tax, we have undertaken a major effort to re-engineer key business processes in order to dramatically improve turnaround times, performance information, ease of filing and paying, and to reduce the "compliance gap."

In addition, we are working to increase our responsiveness and efficiency by:

1. establishing clear priorities related to our mission and eliminating functions and activities that do not contribute to it;
2. continuously evaluating our procedures and methods, applying new technology where possible to enhance their effectiveness;
3. facilitating taxpayer cooperation by identifying customer needs and developing appropriate responses; and
4. ensuring that our employees understand our mission and how their work fits in; and that they have the skills, authority, and support they need to carry out that mission.

Other Milestones themes. Through its tax laws, state government articulates its commitment to all who rely on services funded through state revenues, as well as to all who pay state taxes; in administering those laws, the department helps to carry out that commitment.

In working toward a revenue system that is sound in structure and in operation, the department indirectly supports all of the goals of Minnesota Milestones. An operationally sound system will ensure that taxes are collected and deposited in the state treasury as efficiently as possible, so that expected revenues are available to fund the state's programs. A structurally sound system will provide needed predictability for those who pay taxes, and a measure of stability for those who depend on the state's programs.

CLIMATE:

In developing our policies and strategies for the future, we anticipate having to deal with the following changes;

Demographic changes. The services and products needed by our customers will be influenced by several broad trends: the steady growth of our over-65 population, the shifting shares of income among different classes of taxpayers, and the increasing cultural and ethnic diversity of our population. This increased diversity will mean we must find more tailored taxpayer services to ensure voluntary compliance.

Another demographic change is the shift in households: fewer married couples, more single-parent

families and non-family households. As a result, the number of taxpayer households will be increasing faster than the total population. In addition, changing demographics and economic factors will probably result in increasingly complex income tax returns as more married returns include multiple earners; also, returns for all types of filers will show more diversity in income sources as wage and salary income is supplemented with self-employed and non-labor income.

Effects of taxpayer mobility on service, compliance, and administration. More and more taxpayers may work in one state and live in another, or live in several locations. As the number of taxpayers in this situation increases, inconsistent state treatments of residency requirements, the source of income, (including pensions) and credits for taxes paid to other states will add to the complexity of the income tax, and increase the possibility of the multiple taxation of the same income. States will have to develop greater uniformity in tax laws and establish more reciprocal income tax agreements to lessen compliance and administrative costs, for taxpayers and for ourselves.

Changes in technology. Increasingly, financial transactions will be accomplished electronically, and records of the transactions will be processed, stored and retrieved electronically. To accommodate citizens who are using them, we need to continue to integrate the new technologies into our operations. In addition, we will need to replace outdated computer systems. These actions will permit us to speed the processing and recording of transactions, reduce the cost of processing individual transactions, and will make the information available more rapidly to employees, taxpayers and policy makers.

State and local fiscal relations. Citizen participation in government is impeded by the difficulty of understanding the complexities of the current property tax system and the methods by which local government services are financed. The department needs to work in closer cooperation with state policy makers and local units of government to develop ways to increase accountability and efficiency in the state-local fiscal system.

Medicaid surcharge. In addition to implementing the hospital and health care provider taxes in the F.Y. 1994-95 biennium, the department may have to take over the collection of all or part of the expanded medical care surcharges passed in the 1992 legislative session. The hospital and HMO surcharges are similar in structure and operation to the new provider taxes, which the department will begin collecting on 1-1-93.

Pending court cases. A number of cases recently decided or currently in litigation have the potential for significantly affecting the department and the tax systems.

Meunier versus Minnesota Department of Revenue addresses the taxability by the state of pension fund incomes derived from U.S. government obligations. This has significant implications for state revenues, and for the complexity of income tax administration and individual compliance.

Minnesota MS Society versus Commissioner of Revenue challenges the constitutionality of the combined receipts tax on charitable gambling. This has significant revenue implications.

Boyle versus Commissioner of Revenue deals with the constitutionality and application of the MnCare program. It has both revenue and program implications.

Changes in the role and funding of government. The changing economic climate and citizen resentment about large and complex public services and institutions is bringing the performance of

AGENCY: Revenue, Department of
 (Continuation)

government under greater scrutiny. But at the same time, those forces are generating creative and unconventional arrangements for delivery of those services. Citizens expect their dollars to be invested efficiently and effectively; government agencies are finding new ways to meet that expectation, such as forming partnerships with other levels of government and the private sector, exploring options for user funding, and developing a customer service orientation.

Opportunities for reducing taxpayer paperwork burden and overall state costs of processing through interagency sharing. Information technology and interagency cooperation can reduce both the real burden and negative feelings of taxpayers involved in similar processes with multiple agencies. For example, a consolidated business registration process for new businesses could allow many agencies to gather information from a single business registration form, reducing the number of separate applications and identification numbers the business has to deal with. Similarly, consolidating payroll tax returns for unemployment compensation and income tax withholding could benefit both government and taxpayers. These kinds of changes may require seed money for systems changes and information sharing, but hold promise for streamlining citizen services and holding costs down.

New delivery systems for government services can reach more areas. Mobile "circuit rider" offices, multimedia interactive service kiosks and consolidated offices capable of providing multi-agency services can increase accessibility to services for taxpayers in areas of low population density or for those with highly specific needs without incurring the costs associated with maintaining multiple state offices in the same locations and no office service to remote areas.

AGENCY BUDGET PLAN:

Given the environmental factors listed above, we know that to accomplish our mission and support the goals of Minnesota Milestones we will need to be both resilient and responsive. Our organizational structures and support systems will need to accommodate near-constant change in the kinds and levels of demands placed on them. The department itself will need to be responsive to the needs and changing circumstances of our customers. To help us become more resilient and responsive, we have set the following outcomes as priorities:

1. *Re-engineer the state sales tax system* to facilitate taxpayer ease of filing and paying, dramatically enhance tax system performance, increase currency and accuracy of account information, and improve compliance through tailored services and progressive enforcement.
2. Improve the quality, coverage and utility of our *communications to* customers and our ability to hear *from* customers about their problems, needs, preferences, and suggestions.
3. Improve the quality of our stewardship of state resources and our organizational accountability by focusing on the outcomes of our efforts, by identifying critical performance indicators, and by *measuring and reporting on our progress*. Our 1st step is to build a data base to make up for a lack of historical data. By applying what we learn from these efforts and from ongoing taxpayer feedback, we can be more efficient and effective.

4. Focus less on internal structures and administrative functions and more on our customers, by adopting a *tax system approach to management*. This approach will ensure direct executive responsibility for tax system performance, and will apply to our goal setting and resource allocation processes.

We have also identified 3 internal priority areas that directly affect our ability to serve the public:

5. We must have a *flexible organization and workforce* to be responsive, resilient, adaptable and versatile. This will be accomplished through constant analysis and refinement of operating structures, investments in technology communications, and through positive performance management.
6. We must have a *customer-centered organization* if we are to make the best use of our resources and if our processes are to be as effective as possible. This will be done through systematic customer feedback and involvement, through tax policy improvements tied to the Model Revenue System, and through development of innovative service delivery approaches and inter-agency cooperative programs.
7. We must have a *healthy and energized workforce* to both lead and serve in tax administration and public service. This will be done through employee involvement and empowerment and through application of the principles of quality management.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an agency expenditure level of \$141.0 million for the biennium, which restores funding of \$3.8 million and 40.0 positions for compliance-related activities and recommends salary planning estimate savings of \$3.1 million for the biennium.

The Governor recommends that the department have funding restored for compliance-related activities to mitigate the projected direct revenue loss that would have resulted from the base budget reduction, as presented by the agency. Funds from this initiative will be designated for direct compliance: taxpayer assistance and information, targeted audit and collection activities, and directly-related support services.

The Governor is also recommending an initiative in the Pollution Control Agency budget regarding the funding of solid waste management and the clean-up of closed landfills. This initiative recommends consolidating existing dedicated sources of funding for solid waste management and landfill clean-up into a single source. Consequently, the Governor is recommending that revenues now deposited into the Metropolitan Landfill Contingency Action Trust Fund (MLCATF) be transferred to a Landfill Clean-up account in the Environmental Fund. In accordance with the Governor's initiative for PCA, the Governor recommends that the appropriation from the MLCATF be eliminated in the Department of Revenue and replaced by an appropriation from the Environmental Fund.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
REVENUE SYSTEMS MGMT	69,630	70,261	75,584	73,482	69,770	70,152	73,919	70,527	70,892
TOTAL EXPENDITURES BY PROGRAM	69,630	70,261	75,584	73,482	69,770	70,152	73,919	70,527	70,892
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVERNMENT TRUST		656	585	585	325	325	585	325	325
GENERAL	67,647	66,631	70,565	68,463	65,040	65,485	68,900	65,455	65,895
HEALTH CARE ACCESS			917	917	888	872	917	1,230	1,202
SPECIAL REVENUE	115								
HGHNY USER TAX DISTR	1,665	1,682	1,715	1,715	1,715	1,669	1,715	1,715	1,669
ENVIRONMENTAL	42	44	46	46	46	91	46	46	91
METRO LANDFILL CONTN	42	44	46	46	46		46	46	
OPEN APPROPRIATIONS:									
GENERAL	119	1,204	1,190	1,190	1,190	1,190	1,190	1,190	1,190
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE			470	470	470	470	470	470	470
FEDERAL			50	50	50	50	50	50	50
TOTAL FINANCING	69,630	70,261	75,584	73,482	69,770	70,152	73,919	70,527	70,892
POSITIONS BY FUND:									
GENERAL	1,134.2	1,134.0	1,134.0	1,003.0	1,003.0	1,043.0	994.0	994.0	1,034.0
HEALTH CARE ACCESS	.0	.0	.0	16.0	16.0	16.0	25.0	25.0	25.0
HGHNY USER TAX DISTR	38.0	38.0	38.0	38.0	38.0	38.0	38.0	38.0	38.0
ENVIRONMENTAL	1.0	1.0	1.0	1.0	1.0	2.0	1.0	1.0	2.0
METRO LANDFILL CONTN	1.0	1.0	1.0	1.0	1.0	.0	1.0	1.0	.0
TOTAL POSITIONS	1,174.2	1,174.0	1,174.0	1,059.0	1,059.0	1,099.0	1,059.0	1,059.0	1,099.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: REVENUE, DEPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	75,584	75,584	71,755	71,755	3,779	3,779	50	50
TECHNICAL ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<200>	<200>	<200>	<200>				
APPROPRIATIONS CARRIED FWD	<1,200>	<1,200>	<1,200>	<1,200>				
NON-RECURRING EXPENDITURES	<1,260>	<1,260>	<1,260>	<1,260>				
DOCUMENTED RENT/LEASE INC/DEC	455	892	455	892				
INSURANCE PREMIUM HOLIDAY	213	213	213	213				
1992 SESSION REDUCTIONS	<110>	<110>	<110>	<110>				
SUBTOTAL TECH. ADJ.	<2,102>	<1,665>	<2,102>	<1,665>				
CURRENT SPENDING	73,482	73,919	69,653	70,090	3,779	3,779	50	50
FORECAST ADJUSTMENTS								
LEG-DIRECTED ADJUSTMENTS	<260>	<260>			<260>	<260>		
ANNUALIZING NEW PROG COSTS	<29>	313			<29>	313		
SUBTOTAL FORECAST ADJ.	<289>	53			<289>	53		
AGENCY BASE	73,193	73,972	69,653	70,090	3,490	3,832	50	50

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1994-95 Biennial Budget

PROGRAM: Revenue System Management
AGENCY: Revenue, Department of

PROGRAM PURPOSE:

The mission of the Department of Revenue (DOR), as stated in our strategic plan, is to "win compliance with Minnesota's revenue system." The strategic plan goes on to describe the values, the outcomes and the strategies necessary for achieving this winning compliance mission. Besides values, outcomes and strategies, the DOR needs an organizational structure that parallels and supports the structure of Minnesota's revenue system. The agency narrative defined the issues and challenges we address as a state agency. This program narrative will describe the Revenue System Management Program and the budget activities within it, and deal with those topics as lines of business, from the perspective of our customers.

The winning compliance cycle as outlined in the agency narrative underlies all of our internal business processes, organization structure, and resource allocation. Based on the concept of revenue system management, the executive team has made some fundamental decisions:

First, we have identified the 4 subsets (or tax systems) of the revenue system that establish new or expanded working situations. They are income taxes (individual, partnerships, corporate); payroll taxes (withholding); sales and special taxes; and property taxes and state aids. And, for budget purposes, we are linking our budget activities to these 4 tax systems.

These decisions will drive a major shift of thinking in the DOR. It will take time and effort to move in this direction, and away from the assumptions that were built into our former, functional structure. That is why we have made the shift to revenue system management one of the 4 top priorities of the department. Internally, we will have to examine functional activities to determine what they are contributing to tax system performance, as well as what they are costing by tax system. Tax system executives and managers will be creating and learning their new roles. Externally, our primary point of contact with taxpayers, policy makers and the public will come through the individual tax systems and through the revenue system.

Effective tax system management requires us to:

1. Understand how our tax system and the revenue system are operating.
2. Determine how we can better influence policy.
3. Determine how to maximize tax system compliance.
4. Determine the leverage points for both improving tax system operational effectiveness and efficiency—for taxpayers, for businesses who collect sales and payroll taxes on our behalf, and for the department.
5. Be visible, accessible, and approachable in the taxpayer community.
6. Determine the right mix of inputs to achieve the outcomes required.

This fundamental change in our focus must be supported by a management structure that is fully integrated with the revenue system concept. We began by establishing and staffing the revenue system team in F.Y. 1992, and are resourcing the department through the tax system view effective with this budget development process for F.Y. 1993-94.

The Model Revenue System. The department's strategic plan highlights the critical importance of a sound tax structure to a healthy state revenue system. Discussions about changes in tax policy are too often unproductive because they deal with specific tax subsystems in isolation, and because they lack an objective standard against which they can be evaluated.

To assist in public discussion of the nature of Minnesota's revenue systems for all levels of government, the department has presented a model revenue system. This model defines the ideal relationships and mechanisms of the major tax-related elements of our state and local fiscal base. It does not address the *level* of taxation, but rather the interaction and structure of the tax systems and appropriate applications.

This is not a specific legislative proposal, nor does it reflect a partisan agenda. The department will use this model to promote discussion among citizens and policy-makers about the direction for future tax policy.

PROSPECTS:

In developing our policies and strategies for the future, we anticipate having to deal with the following changes:

Expansion of business activity beyond state and national borders. Because more and more businesses are national and even international in scope, an increasing number of transactions are occurring across state and national borders. Most of these transactions are made by means of mail order catalogues and by telecommunications. These two factors make it more difficult for states to detect transactions and determine responsibility for the payment of taxes. This requires us to work for increased cooperation among states, including the formation of partnerships with other states to develop more uniform reporting and record-keeping procedures, better methods for the exchange of information, and expanded information and education programs.

Increased business competition. With increased competition, interstate tax competition is intensifying. Businesses are more aggressively challenging state tax laws in the courts, and they seek locations where the tax burdens are more favorable. The department must continually seek to clarify existing laws, rules, and regulations, and develop new ones that are clear and unambiguous. Increased competition is also leading to the adoption of new ways of doing business, such as contracting out, which adds complexity to the business tax structure. We can contribute to a strong state business climate by working closely with state policy makers to develop a competitive tax structure.

Increased complexity of the tax system. In the current environment of constrained public resources, the legislature is expanding the use of earmarked, special-purpose taxes. These taxes are often limited to specific industries or products, such as legal gambling and health care provider taxes. As a result, they tend to have higher costs per dollar collected for both taxpayers and the department than broad-based general taxes.

Shifting consumer spending. The continued shift of consumer spending from goods to services could slow the growth of state retail sales tax collections. As the sales tax base is expanded to include more services, we will have to deal with an increased number of taxpayers and greater complexity in rules and regulations concerning the definition of the sales tax base.

OUTCOMES:

We have developed measures of effectiveness for the revenue system and for each of its 4 tax systems: the income tax system, the property tax system, the sales tax system, and the payroll tax system. These are the 8 key indicators of how well the department and each tax system are performing. In general, the department has developed or is in the process of developing the following measures:

1. *Customer satisfaction.* We will be measuring the appropriateness of the information we provide to taxpayers, units of local government, the Governor, members of the Legislature and other state agencies; our timeliness in providing the information; and its accessibility, understandability and completeness. We are also measuring the degree of courtesy that characterizes our written, phone and in-person contact with taxpayers.

1994-95 Biennial Budget

PROGRAM: Revenue System Management
 AGENCY: Revenue, Department of
 (Continuation)

2. *Departmental administrative costs.* We are measuring our costs of generating revenues as well as the costs of specific activities such as cost of providing printed materials per taxpayer, per-transaction cost of depositing tax payments, per-return costs of data-entering information, and the benefits of auditing and collection activities.
3. *"Compliance gap."* We will be developing an estimate of the number of taxpayers who are required to file returns for all of the various state taxes but are not filing, and the amount of tax they owe. We will be measuring how well our efforts help close this gap. This indicator includes both filers and non-filers.
4. *"Payment gap."* We will be measuring how well our efforts help close the gap between the amount of delinquent tax owed by taxpayers and the amount they ultimately pay, the effectiveness of various collection tools, and the effect of economic conditions on our compliance efforts.
5. *Policy.* We will be measuring our progress in creating sound tax policies. This will include comparisons to the Model Revenue System and comparisons of actual revenues received to revenues forecasted.
6. *Timeliness.* We will be measuring our efficiency in administering the revenue system. This indicator will tell us how long it takes to get information to taxpayers and employees, to issue refunds, deposit payments, record information from returns and deposits, and resolve errors.
7. *Accuracy.* We will be measuring errors—both our own and those made by taxpayers.
8. *Employee satisfaction.* We will be measuring the degree to which employees are satisfied with their jobs and with the policy and operations of the revenue system.

Performance Measures

1. Cost to collect \$100

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
Income Tax	\$3.48	\$3.35
Withholding Tax	.23	.21
Sales and Special Tax	.78	.80
Agencywide Cost	\$1.00	\$0.95
(Includes Property Tax Management)		

2. Direct compliance production: audit and collections

	<u>Dollars in Thousands</u>		
	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
Income Tax	\$130,263	\$128,099	\$120,088
Withholding Tax	14,558	13,171	16,611
Sales and Special Tax	58,167	73,377	72,460
Total	\$202,988	\$214,647	\$209,159

3. Breakdown of total taxes into voluntary compliance and audit/collection production

	<u>Dollars in Millions</u>		
	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
Voluntary Compliance	\$6,506	\$6,727	\$7,116
Audit/Collection Production	203	215	208
Total Taxes	\$6,709	\$6,942	\$7,324

Taxes from production as percent of total taxes	3.03%	3.10%	2.84%
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4. Revenue Recapture

	<u>C.Y. 1990</u>	<u>C.Y. 1991</u>	<u>C.Y. 1992*</u>
Claims Filed	119,516	123,848	160,000
Refunds Reduced	35,090	37,744	45,090

* Through September 1992

	<u>Dollars in Thousands</u>		
	<u>C.Y. 1990</u>	<u>C.Y. 1991</u>	<u>C.Y. 1992</u>
Net Gain to State and Local Government	\$6,627	\$7,185	\$9,488

5. Property tax refunds

	<u>C.Y. 1990</u>	<u>C.Y. 1991</u>	<u>C.Y. 1992</u>
Renter refunds	264,470	266,738	266,300
Homeowner Refunds	191,962	227,401	240,700

	<u>Dollars in Thousands</u>		
	<u>C.Y. 1990</u>	<u>C.Y. 1991</u>	<u>C.Y. 1992</u>
Total Amount Refunded	\$127,768	\$128,433	\$145,617

6. Amount available for collection activity

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
Number of Collection Cases	75,341	75,724	96,357

	<u>Dollars in Thousands</u>		
	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
Total Available for Collection	\$200.0	\$210.0	\$233.5
Total Collected	\$92.0	\$99.9	\$93.9

OBJECTIVES:

The department seeks to accomplish these objectives for the 4 tax systems in the F.Y. 1994-1995 biennium:

Income Tax:

We seek these outcomes in the F.Y. 1994-95 biennium:

1. By increasing the number of electronically filed individual income tax returns from 27,000 to 200,000, we will improve processing speed and accuracy, cut costs, speed refunds, and reduce

1994-95 Biennial Budget

PROGRAM: Revenue System Management
AGENCY: Revenue, Department of
(Continuation)

the paperwork burden for taxpayers and ourselves. (We will also offer electronic filing and paying options to 20% of fiduciary taxpayers, with similar results. Currently none file or pay electronically.)

2. Another of our goals is to have 60% of all electronically filed and 40% of all paper filed refunds deposited by electronic funds transfer to taxpayer accounts, which will speed refunds and cut mailing costs (currently no refunds are deposited by electronic funds transfer).
3. We will increase our use of electronic taxpayer information through a joint federal-state program that will give us access to the IRS's MACS (Midwest Alternative Classification System) database. In this way we will be able to lighten the paperwork burden for taxpayers and help us control costs in manually intensive areas of data entry, storage and document handling.
4. We also intend to provide taxpayers with better access to tax information by increasing the number of telephone inquiries we answer by at least 100,000.
5. Finally, we intend to have better account status information available for taxpayer service employees and for taxpayers themselves by having accounts receivable information and refund processing done in 30 days for all income tax filers (currently this is the case only for individual income tax).

Payroll Tax:

1. We will have all tax filing information on the system and available for use within 30 days from receipt (that currently takes up to 120 days);
2. We will make electronic funds transfer (EFT) and electronic filing (EFS) more available to taxpayers when appropriate, and
3. We will identify and analyze the issues affecting accuracy and timeliness of data on the system, and develop a plan to address these issues.

Sales and Special Taxes:

Our objectives for the sales tax system are the following:

1. We will have access to information about filing and account status within 1 day of receipt of returns, and remaining taxpayer information in 7 days (at present, this can take up to 40 days);
2. We will be able to offer electronic filing and funds transfer to 90% of businesses;
3. We will improve communications and customer service for taxpayers through creation of up-to-date personalized profiles;
4. We will have better compliance activity design resulting from improved knowledge about the nature and scope of current noncompliance;
5. We will provide a wider range of services (e.g. fact sheets, newsletters, workshops) that are tailored to the needs of specific business groups;

6. We will be able to resolve all cases of under-payment of tax within 90 days (some current cases are over a year old);
7. We will have mechanisms in place for gathering citizen input on sales tax system performance;
8. Our employees will be more effective due to better access to information and increased authority to resolve taxpayer questions;
9. We will be able to offer health care providers electronic filing and paying services; and
10. We will provide guidance for health care providers in the form of rules for accurately determining the amount of tax they must pay.

Property Tax:

Our objective for the property tax system is to build an understanding of the following issues:

1. We will identify ways to reduce costs through a simplified property tax refund program that reaches a higher percentage of eligible taxpayers.
2. We will identify ways to improve the efficiency of the state-local financing, which means measuring the performance of the current system in terms of administrative costs, accountability, and citizen access.
3. We will identify and where possible implement ways to reduce the paperwork burden for citizens, local governments, and ourselves. This may include offering citizens direct deposit of their refunds and expanding our use of electronic data transfer with local governments.

PROGRAM PLAN:

The program plan for revenue system management mirrors the agency plan: a combination of abolishing low-priority functions and making strategic high-priority investments in a variety of areas. Underlying these changes is our intention to concentrate on keeping negative customer impacts on both service and revenue to the lowest level possible.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a program expenditure level of \$141.0 million for the biennium, which restores funding of \$3.8 million and 40.0 positions for compliance-related activities and recommends salary planning estimate savings of \$3.1 million for the biennium.

The Governor recommends that the Revenue System Management Program have funding restored for compliance-related activities to mitigate the projected direct revenue loss that would have resulted from the base budget reduction, as presented by the agency. Funds from this initiative will be designated for direct compliance: taxpayer assistance and information, targeted audit and collection activities, and directly-related support services.

The Governor is also recommending an initiative in the Pollution Control Agency budget regarding the funding of solid waste management and the clean-up of closed landfills. This initiative recommends consolidating existing dedicated sources of funding for solid waste management and landfill clean-up into a single source. Consequently, the Governor is recommending that revenues now deposited into the Metropolitan Landfill Contingency Action Trust Fund (MLCATF) be transferred to a Landfill Clean-up account in the Environmental Fund. In accordance with the Governor's initiative for PCA, the Governor recommends that the appropriation in the Department of Revenue from the MLCATF be eliminated and replaced with an appropriation from the Environmental Fund.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: REVENUE SYSTEMS MGMT

ACTIVITY RESOURCE ALLOCATION:	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recommen.	Current Spending	Agency Plan	Governor Recommen.
INCOME TAXES	34,000	32,010	32,778	33,308	31,301	31,544	33,744	31,737	31,979
PAYROLL TAXES	5,705	5,494	5,625	5,600	5,538	5,421	5,600	5,527	5,409
SALES & USE TAXES	22,825	26,273	30,577	27,976	26,611	27,034	27,976	26,927	27,336
PROPERTY TAXES & LOCAL GOVT AID	7,100	6,484	6,604	6,598	6,320	6,153	6,599	6,336	6,168
TOTAL EXPENDITURES BY ACTIVITY	69,630	70,261	75,584	73,482	69,770	70,152	73,919	70,527	70,892
GOV'S INITIATIVES:			FUND						
(A) LANDFILL CLEANUP & SOLID WASTE MGT			ENV			46			46
(A) LANDFILL CLEANUP & SOLID WASTE MGT			MLC			<46>			<46>
(A) SALARY PLANNING ESTIMATES			GEN			<1,455>			<1,460>
(A) SALARY PLANNING ESTIMATES			HCA			<16>			<28>
(A) SALARY PLANNING ESTIMATES			HUT			<46>			<46>
(A) SALARY PLANNING ESTIMATES			ENV			<1>			<1>
(P) RESTORE AGENCY REDUCTION			GEN			1,900			1,900
TOTAL GOV'S INITIATIVES						382			365
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVERNMENT TRUST		656	585	585	325	325	585	325	325
GENERAL	67,647	66,631	70,565	68,463	65,040	65,485	68,900	65,455	65,895
HEALTH CARE ACCESS			917	917	888	872	917	1,230	1,202
SPECIAL REVENUE	115								
HGHWY USER TAX DISTR	1,665	1,682	1,715	1,715	1,715	1,669	1,715	1,715	1,669
ENVIRONMENTAL	42	44	46	46	46	91	46	46	91
METRO LANDFILL CONTN	42	44	46	46	46		46	46	
OPEN APPROPRIATIONS:									
GENERAL	119	1,204	1,190	1,190	1,190	1,190	1,190	1,190	1,190
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE			470	470	470	470	470	470	470
FEDERAL			50	50	50	50	50	50	50

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: REVENUE SYSTEMS MGMT

ACTIVITY RESOURCE ALLOCATION:	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL FINANCING	69,630	70,261	75,584	73,482	69,770	70,152	73,919	70,527	70,892
POSITIONS BY FUND:									
GENERAL	1,134.2	1,134.0	1,134.0	1,003.0	1,003.0	1,043.0	994.0	994.0	1,034.0
HEALTH CARE ACCESS	.0	.0	.0	16.0	16.0	16.0	25.0	25.0	25.0
HGHWY USER TAX DISTR	38.0	38.0	38.0	38.0	38.0	38.0	38.0	38.0	38.0
ENVIRONMENTAL	1.0	1.0	1.0	1.0	1.0	2.0	1.0	1.0	2.0
METRO LANDFILL CONTN	1.0	1.0	1.0	1.0	1.0	.0	1.0	1.0	.0
TOTAL POSITIONS	1,174.2	1,174.0	1,174.0	1,059.0	1,059.0	1,099.0	1,059.0	1,059.0	1,099.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Income Tax System Management
PROGRAM: Revenue System Management
AGENCY: Revenue, Department of

ACTIVITY DESCRIPTION:

Our goal is to achieve the widest possible compliance among Minnesota's approximately 2.1 million individual income tax filers with the state requirements for individual income tax, and among Minnesota's approximately 51,000 corporate income tax filers with the state requirements for corporation income tax. Income tax (including withholding tax) generated \$3.6 billion in F.Y. 1992.

Annually, to ensure compliance with the individual income tax law, we:

1. print and mail over 2 million individual income tax instructions, 800,000 tax schedules and 200,000 coupon books for the payment of estimated tax;
2. answer 675,000 telephone calls and 14,000 letters;
3. deposit \$498 million in estimated quarterly tax payments, and \$350 million in annual tax payments;
4. refund \$363 million to 1.2 million taxpayers;
5. process 2.1 million individual income tax returns and 600,000 estimated income tax deposit forms; and
6. perform 47,000 office audits (about 2% of the total) and 400 field audits (about 0.02% of the total).

To win compliance with the state's corporate income tax laws, we:

1. print and mail 51,000 corporate tax instructions and coupon books;
2. answer 9,000 telephone calls from businesses;
3. deposit \$427 million in estimated quarterly and annual tax payments;
4. process 51,000 corporate returns and 200,000 estimated tax deposit forms; and
5. perform 3,500 audits (about 7%).

BUDGET ISSUES:

A 5% budget reduction will:

1. cut in half the number of individual income tax field audits;

2. reduce the retention of paper files from 3 years to 1 year, which will reduce our ability to provide back-up copies of returns to taxpayers; and
3. suspend rule-making activities for corporate income tax, which may result in more court challenges to the department's interpretation of tax law.

To help offset these effects, we are shifting our focus from the last stages of the win compliance cycle (audit and collection), and are investing more resources in the front end of the cycle (information and education). By expanding its taxpayer education and service efforts, we expect that it will be easier for taxpayers to correctly comply with the laws in the first place. We will be taking the following measures:

1. We will expand our ability to offer electronic filing options to taxpayers and improve processing speed and accuracy at less cost, speed refunds, and substantially reduce the paperwork burden for taxpayers and ourselves.
2. We will cut mailing costs and cut delays for taxpayers receiving refunds by continuing to expand and market electronic deposit of refunds into taxpayers' bank accounts.
3. We will expand our ability to respond to telephone calls by increased use of electronic voice response (in calendar year 1992 we had the capability to respond to only 50% of the calls to the department).
4. We will cut the amount of documentation that taxpayers are required to attach to their state income tax returns, which will ease the paperwork burden on them and will reduce the volume of records we receive and store.

OUTCOMES:

We seek these outcomes in the F.Y. 1994-95 biennium:

1. By increasing the number of electronically filed individual income tax returns from 27,000 to 200,000, we will improve processing speed and accuracy, cut costs, speed refunds, and reduce the paperwork burden for taxpayers and ourselves. (We will also offer electronic filing and paying options to 20% of fiduciary taxpayers, with similar results. Currently none file or pay electronically.)
2. Another of our goals is to have 60% of all electronically filed and 40% of all paper filed refunds deposited by electronic funds transfer to taxpayer accounts, which will speed refunds and cut mailing costs (currently no refunds are deposited by electronic funds transfer).
3. We will increase our use of electronic taxpayer information through a joint federal-state program that will give us access to the IRS's MACS (Midwest Alternative Classification System) database. In this way we will be able to lighten the paperwork burden for taxpayers and help us control costs in manually intensive areas of data entry, storage and document handling.
4. We also intend to provide taxpayers with better access to tax information by increasing the number of telephone inquiries we answer by at least 100,000.

1994-95 Biennial Budget

BUDGET ACTIVITY: Income Tax System Management
PROGRAM: Revenue System Management
AGENCY: Revenue, Department of
 (Continuation)

Dollars in Thousands

	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
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Est. Individual Income Tax	\$463,334	\$498,126	-	-	-
Ind. Income Tax Payments	333,466	350,033	-	-	-
Ind. Income Tax Refunds	(349,946)	(362,940)	-	-	-
Estate Tax	25,691	21,879	-	-	-
Corporation Income Tax	458,079	426,899	-	-	-

OUTCOMES:

- Finally, we intend to have better account status information available for taxpayer service employees and for taxpayers themselves by having accounts receivable information and refund processing done in 30 days for all income tax filers (currently this is the case only for individual income tax).

Type of Revenue:

Non-dedicated - General	\$930,624	\$933,997	-	-	-
Dedicated - Special	-	-	-	-	-
Dedicated - Federal	-	-	-	-	-

EFFICIENCY MEASURES:

In F.Y. 1992, to win compliance with the state individual income tax, we:

- processed 2.1 million returns within 30 days of receipt at an overall cost of \$1.45 per return;
- processed 600,000 estimated income tax deposits within 15 days of receipt at an overall cost of 17 cents per form;
- processed 36,000 political contribution refund applications within 60 days at an overall cost of \$1.45 per application;
- collected \$27 million in additional revenues through office audit and review, and \$2.5 million in additional revenues through field audit;
- collected \$32 million in delinquent individual income taxes, and;
- deposited all payments within nine days of receipt. Of that total, 33% were deposited within 2 days, 80% within 4 days, and 90% within 7 days.

In F.Y. 1992, to ensure compliance with the corporate income tax, we:

- collected \$46 million through field audit, and an additional \$29 million in office audit and review (\$12.4 million of the total \$75 million is from reductions in claims for refunds); and
- collected \$8 million in delinquent corporate income taxes.

REVENUE:

This activity generates non-dedicated receipts from individual income tax payments and corporate income tax payments.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: REVENUE SYSTEMS MGMT
ACTIVITY: INCOME TAXES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	21,822	21,294	21,881	22,047	20,807	20,925	22,047	20,872	20,989
EXPENSES/CONTRACTUAL SRVCS	8,849	7,594	7,560	7,924	7,529	7,529	8,360	7,965	7,965
MISC OPERATING EXPENSES	1,758	1,479	1,877	1,877	1,796	1,846	1,877	1,796	1,846
SUPPLIES/MATERIALS/PARTS	685	761	636	636	416	491	636	486	561
CAPITAL EQUIPMENT	885	881	822	822	751	751	822	616	616
SUBTOTAL STATE OPERATIONS	33,999	32,009	32,776	33,306	31,299	31,542	33,742	31,735	31,977
AIDS TO INDIVIDUALS	1	1	2	2	2	2	2	2	2
TOTAL EXPENDITURES	34,000	32,010	32,778	33,308	31,301	31,544	33,744	31,737	31,979
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<704>			<705>
(P) RESTORE AGENCY REDUCTION			GEN			947			947
TOTAL GOV'S INITIATIVES						243			242
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	33,995	31,852	32,778	33,308	31,301	31,544	33,744	31,737	31,979
OPEN APPROPRIATIONS:									
GENERAL	5	158							
TOTAL FINANCING	34,000	32,010	32,778	33,308	31,301	31,544	33,744	31,737	31,979
POSITIONS BY FUND:									
GENERAL	560.2	556.0	556.0	474.0	474.0	494.0	465.0	465.0	485.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: REVENUE SYSTEMS MGMT
ACTIVITY: INCOME TAXES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	560.2	556.0	556.0	474.0	474.0	494.0	465.0	465.0	485.0

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1994-95 Biennial Budget

BUDGET ACTIVITY: Payroll Tax System Management
PROGRAM: Revenue System Management
AGENCY: Revenue, Department of

ACTIVITY DESCRIPTION:

Our goal for payroll tax system management is to achieve the widest compliance by Minnesota's approximately 130,000 businesses with the state requirements for withholding tax from their employees' wages and salaries, and for depositing those funds with the state.

Employers file quarterly returns and make deposits quarterly, monthly or 8 times a month. Annually, to ensure compliance with payroll tax law, we:

1. print and mail 500,000 income tax withholding tables for use by employers in determining the amount of income tax to withhold from employee salaries and wages;
2. mail 130,000 coupon books to businesses for withholding tax deposits;
3. conduct New Business Education workshops for businesses beginning operation in the state;
4. respond to approximately 12,000 telephone calls from businesses about withholding requirements;
5. deposit \$2.7 billion in withholding tax; and
6. process 1.1 million withholding deposit forms.

BUDGET ISSUES:

A 5% budget reduction will:

1. prevent us from increasing the number of field audits we perform from the current minimal level;
2. prevent us from implementing changes in the withholding system that would simplify procedures for businesses;
3. reduce resources available for detecting and resolving data errors and for entering data into the system, which will further diminish the reliability of data;
4. slow responses to telephone and written inquiries; and
5. discontinue automatic annual revision of withholding tax tables.

However, we hope to offset at least in part those effects by incorporating new technology to encourage and facilitate electronic filing and electronic funds transfer, which will eventually improve the accuracy of system data and speed availability of tax information to employees as well as to our customers.

Lockbox System. Several years ago the department began using a private bank lockbox system to process high-volume, low-complexity withholding deposits. The goal was to speed up cash depositing and document entry. As we build on the re-engineered sales tax processing foundation, we hope to be able to bring this application back into the department and make fuller use of new electronic funds transfer (EFT) and electronic data interchange (EDI) technology and streamlined operating systems. Although this will add direct budget dollars to replace currently off-budget costs, the state should realize a net benefit by freeing up a large compensating balance that covers the bank operating costs.

OUTCOMES:

Because we have decided to focus resources on other tax systems, the withholding tax system is basically in a "maintenance" mode. While we plan no new major investments in improving it, we are seeking these outcomes in F.Y. 1994-95:

1. to have all tax filing information on the system and available for use within 30 days from receipt (that currently takes up to 120 days);
2. to make electronic funds transfer (EFT) and electronic filing (EFS) more available to taxpayers when appropriate, and
3. in order to help us plan future improvements, to identify and analyze the issues affecting accuracy and timeliness of data on the system, and to develop a plan to address these issues.

EFFICIENCY MEASURES:

In F.Y. 1992 we deposited the total \$2.7 billion in income tax withholding deposits within 4 days of receipt. Of that total, 92% was deposited on the same day; 95% within 1 day, and 99% within 3 days of receipt.

We collected \$21 million in delinquent taxes, or \$12 for each dollar spent.

REVENUE:

This activity generates non-dedicated receipts from individual income tax withholding.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Non-dedicated - General	\$2,527,688	\$2,659,419	-	-	-
Dedicated - Special	-	-	-	-	-
Dedicated - Federal	-	-	-	-	-

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: REVENUE SYSTEMS MGMT
ACTIVITY: PAYROLL TAXES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,427	3,562	3,658	3,652	3,576	3,459	3,652	3,580	3,462
EXPENSES/CONTRACTUAL SRVCS	1,627	1,407	1,397	1,378	1,455	1,455	1,378	1,455	1,455
MISC OPERATING EXPENSES	349	298	377	377	353	353	377	353	353
SUPPLIES/MATERIALS/PARTS	127	125	84	84	67	67	84	67	67
CAPITAL EQUIPMENT	175	102	109	109	87	87	109	72	72
SUBTOTAL STATE OPERATIONS	5,705	5,494	5,625	5,600	5,538	5,421	5,600	5,527	5,409
TOTAL EXPENDITURES	5,705	5,494	5,625	5,600	5,538	5,421	5,600	5,527	5,409
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<117>			<118>
TOTAL GOV'S INITIATIVES						<117>			<118>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	5,705	5,494	5,625	5,600	5,538	5,421	5,600	5,527	5,409
TOTAL FINANCING	5,705	5,494	5,625	5,600	5,538	5,421	5,600	5,527	5,409
POSITIONS BY FUND:									
GENERAL	96.0	95.0	95.0	90.0	90.0	90.0	90.0	90.0	90.0
TOTAL POSITIONS	96.0	95.0	95.0	90.0	90.0	90.0	90.0	90.0	90.0

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1994-95 Biennial Budget

BUDGET ACTIVITY: Sales and Special Tax System Management
PROGRAM: Revenue System Management
AGENCY: Revenue, Department of

ACTIVITY DESCRIPTION:

Our goal is the sound administration of the state sales tax; petroleum taxes; tobacco, liquor, wine, and beer taxes; pulltabs and tipboard taxes; lawful gambling receipt taxes; insurance company premium taxes; and taxes on health care provider gross receipts.

Sales tax. To achieve the widest compliance among Minnesota's 140,000 businesses for collecting sales tax, annually we:

1. print and mail approximately 800,000 sales tax returns that businesses use to deposit the sales tax they collect;
2. answer 132,000 telephone calls;
3. deposit \$2.2 billion in sales tax receipts;
4. process 800,000 sales tax returns; and
5. perform 7,000 audits (1,500 field and 5,500 office audits), or about 4% of the businesses who file returns.

Petroleum taxes. We facilitate the annual payment of \$465 million in petroleum taxes from 2,000 licensed distributors of petroleum products; data-enter and ensure the accuracy of returns, and audit distributors' records to ensure compliance. The Petroleum Division, in conjunction with the IRS and several midwestern states, is participating in a motor fuel tax compliance project sponsored by the Federal Highway Administration. We will be eligible for \$50,000 annually through FY97 to augment our motor fuel tax compliance and interstate investigation efforts.

Special taxes. We facilitate the payment of \$260 million in taxes per year from 70 cigarette and tobacco distributors, 35 beer and liquor distributors, and 40 distributors of pulltabs and tipboards; data-enter and verify return accuracy; and audit for compliance.

Lawful gambling receipt tax. Annually we collect about \$23 million in taxes on gross receipts from the sale of pulltabs and tipboards from the 2,000 organizations licensed to conduct lawful gambling activity. We process the monthly and annual returns, and audit for compliance.

Insurance premium tax. We collect \$124 million from the 1,500 insurance companies who are licensed to do business in Minnesota, process monthly and annual returns, and audit for compliance.

Health care receipt tax. We expect that the state's 21,000 health care providers will pay \$224 million in taxes for the F.Y. 1994-95 biennium to fund the state's MnCare health insurance program.

Unfair Cigarette Sales Act. We administer this law, which regulates cigarette pricing at wholesale and at retail. Licensed distributors pay annual fees to provide for its administration and enforcement.

BUDGET ISSUES:

The 5% base reduction will mean:

1. fewer audits of businesses, which will cut our ability to detect those who collect sales tax from customers but fail to report and deposit it;
2. less detection of businesses that make out-of-state purchases and do not pay state sales tax, and out-of-state businesses selling in Minnesota without a permit to collect sales tax;
3. in the area of special taxes, fewer audits of distributors, which may result in under-reporting and underpayment; and
4. A reduction in our use of stringent and costly methods of collecting delinquent tax, such as license revocations and foreclosures; this will increase the likelihood that such taxes will never be received by the state.

However, we have invested in re-engineering the sales tax system to expand the capability to process electronically filed returns (EFS) and use electronic funds transfer (EFT). These capabilities enhance speed and accuracy of processing tax data at substantially lower cost, and will give us improved ability to identify nonfilers and initiate necessary compliance activities.

Our re-engineered sales tax system will give us measures of operational effectiveness, including the per-transaction cost of depositing tax payments, the per-return cost of data-entering information, and the number of errors made by taxpayers in filling out returns. (The cost for such capability is very high, but essential if we are to be able to manage the sales tax system effectively and efficiently. Because we know we will need to have this capability for all of the tax systems we manage, our investment in the re-engineered sales tax system will have a knowledge payback for the entire revenue system.)

Further, we are shifting our focus from the last stages of the win compliance cycle (audit, collection) and investing in the "front end" (information, education) to help taxpayers comply correctly in the first place. We will be expanding our education activities to help businesses determine what sales are taxable and at what rate, which in turn will reduce the errors found on sales tax returns (currently, about 12% of sales tax returns must be corrected in processing). In addition to expanding our education program, we will also be focusing on our other communications, and tailoring them to the needs of the different groups of taxpayers to make them clearer and more useful.

OUTCOMES:

By reallocating resources and re-engineering the sales tax system, we plan to achieve the following outcomes for the sales tax system in the F.Y. 1994-95 biennium:

1. access to information about filing and account status within 1 day of receipt of returns, and remaining taxpayer information in 7 days (at present, this can take up to 40 days);
2. capability for 90% of businesses to file and transfer funds electronically;
3. improved communications and customer service for taxpayers through creation of up-to-date personalized profiles;

1994-95 Biennial Budget

BUDGET ACTIVITY: Sales and Special Tax System Management
PROGRAM: Revenue System Management
AGENCY: Revenue, Department of
 (Continuation)

OUTCOMES:

4. better compliance activity design resulting from improved knowledge about the nature and scope of current noncompliance;
5. ability to provide a wider range of services (e.g. fact sheets, newsletters, workshops) that are tailored to the needs of specific business groups;
6. ability to resolve all cases of under-payment of tax within 90 days (some current cases are over a year old);
7. mechanisms in place for gathering citizen input on sales tax system performance;
8. increased employee effectiveness due to better access to information and increased authority to resolve taxpayer questions; and
9. capability to offer health care providers electronic filing and paying services; and
10. guidance for health care providers in the form of rules for accurately determining the amount of tax they must pay.

EFFICIENCY MEASURES:

Sales tax. In F.Y. 1992, we:

1. deposited 99% of the total \$2.2 billion received within 4 days of receipt. Of that, 43% was deposited on the same day received, 67% within 1 day, and 80% within 2 days.
2. collected \$36 for each dollar spent on the detection of errors;
3. processed 800,000 returns within 45 days of receipt at an overall cost of 56 cents per return;
4. collected \$27 million through field audits, or \$7.30 for each dollar spent;
5. collected \$7.2 million through office audits of selected businesses, or \$15.38 for each dollar spent;
6. collected \$40 million in delinquent taxes or \$12 for each dollar spent; and
7. surveyed 292 businesses. We found that:
 - 87% rated the answers they received from our employees as "very good" or "adequate;"
 - 87% rated the service they received as "courteous" or "very courteous;"
 - 50% of the callers said they were able to reach the department on their first attempt.

Petroleum tax. In F.Y. 1992, we:

1. processed license applications within 1 day after receipt of the application;
2. deposited 70% of the total \$456 million the same day received;
3. processed all petroleum tax refunds in 3 days.

REVENUE:

This activity generates non-dedicated receipts from the following types of taxes:

	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Sales and Use	\$1,965,285	\$2,191,979	-	-	-
Motor Vehicle Excise	163,084	86,299	-	-	-
Motor Fuel Excise	1,064	2,310	-	-	-
Motor Vehicle Lease		5,198	-	-	-
Alcoholic Beverage	55,870	53,374	-	-	-
Cigarette	121,350	129,222	-	-	-
Tobacco Products	7,012	7,812	-	-	-
Controlled Substances	652	314	-	-	-
Lawful Gambling	57,496	54,084	-	-	-
Pari-mutuel	1,624	1,797	-	-	-
Telephone Gross Earnings	32,759	17,821	-	-	-
Insurance Premiums	129,711	128,756	-	-	-
Mortgage Registration	10,640	28,203	-	-	-
Deed	10,985	35,250	-	-	-
Hazardous Waste	894	573	-	-	-

This activity generates dedicated receipts from the following types of taxes:

Motor Vehicle Excise	\$73,269	\$83,700	-	-	-
Motor Fuels Excise	472,019	486,828	-	-	-
Health Care Providers			-	-	-
Cigarette	25,457	27,496	-	-	-
Solid Waste Landfill Fee	3,882	3,301	-	-	-

Type of Revenue:

Non-dedicated - General	\$2,558,426	\$2,842,992	-	-	-
Dedicated - Special	574,627	601,325	-	-	-
Dedicated - Federal	-	-	-	-	-

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: REVENUE SYSTEMS MGMT
ACTIVITY: SALES & USE TAXES

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	14,565	15,512	17,866	17,665	17,053	17,351	17,665	17,510	17,794
EXPENSES/CONTRACTUAL SRVCS	5,493	6,730	8,852	6,533	6,267	6,267	6,533	6,206	6,206
MISC OPERATING EXPENSES	1,347	1,731	1,995	1,942	1,864	1,914	1,942	1,891	1,941
SUPPLIES/MATERIALS/PARTS	537	1,072	671	658	545	620	658	560	635
CAPITAL EQUIPMENT	868	1,228	1,193	1,178	882	882	1,178	760	760
OTHER	15								
SUBTOTAL STATE OPERATIONS	22,825	26,273	30,577	27,976	26,611	27,034	27,976	26,927	27,336
TOTAL EXPENDITURES	22,825	26,273	30,577	27,976	26,611	27,034	27,976	26,927	27,336
GOV'S INITIATIVES:									
(A) LANDFILL CLEANUP & SOLID WASTE MGT			ENV			46			46
(A) LANDFILL CLEANUP & SOLID WASTE MGT			MLC			<46>			<46>
(A) SALARY PLANNING ESTIMATES			GEN			<467>			<469>
(A) SALARY PLANNING ESTIMATES			HCA			<16>			<28>
(A) SALARY PLANNING ESTIMATES			HUT			<46>			<46>
(A) SALARY PLANNING ESTIMATES			ENV			<1>			<1>
(P) RESTORE AGENCY REDUCTION			GEN			953			953
TOTAL GOV'S INITIATIVES						423			409
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVERNMENT TRUST		652	560	560	300	300	560	300	300
GENERAL	20,847	22,905	25,583	22,982	21,906	22,392	22,982	21,880	22,364
HEALTH CARE ACCESS			917	917	888	872	917	1,230	1,202
SPECIAL REVENUE	115								
HGHWY USER TAX DISTR	1,665	1,682	1,715	1,715	1,715	1,669	1,715	1,715	1,669

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: REVENUE SYSTEMS MGMT
ACTIVITY: SALES & USE TAXES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ENVIRONMENTAL	42	44	46	46	46	91	46	46	91
METRO LANDFILL CONTN	42	44	46	46	46		46	46	
OPEN APPROPRIATIONS:									
GENERAL	114	946	1,190	1,190	1,190	1,190	1,190	1,190	1,190
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE			470	470	470	470	470	470	470
FEDERAL			50	50	50	50	50	50	50
TOTAL FINANCING	22,825	26,273	30,577	27,976	26,611	27,034	27,976	26,927	27,336
POSITIONS BY FUND:									
GENERAL	368.0	370.0	370.0	335.0	335.0	355.0	335.0	335.0	355.0
HEALTH CARE ACCESS	.0	.0	.0	16.0	16.0	16.0	25.0	25.0	25.0
HGHY USER TAX DISTR	38.0	38.0	38.0	38.0	38.0	38.0	38.0	38.0	38.0
ENVIRONMENTAL	1.0	1.0	1.0	1.0	1.0	2.0	1.0	1.0	2.0
METRO LANDFILL CONTN	1.0	1.0	1.0	1.0	1.0	.0	1.0	1.0	.0
TOTAL POSITIONS	408.0	410.0	410.0	391.0	391.0	411.0	400.0	400.0	420.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Property Tax System Management
PROGRAM: Revenue System Management
AGENCY: Revenue, Department of

ACTIVITY DESCRIPTION:

Our goal is to achieve uniform and fair statewide administration of property tax laws by local governments, to make timely and accurate payments of state aid to local governments, and to make tax refunds to property owners and renters. The property tax provides 96% of local government taxes, and pays for 25% of local government spending. It represents more than 31% of all state and local taxes in Minnesota.

In administering the property tax system, each year we:

1. oversee Minnesota's locally administered property tax system to ensure uniform application of state laws. This includes calculating the assessment-sales ratio study for real property sold in Minnesota, which is used to evaluate the quality of the assessment process statewide, and to equalize state aid programs;
2. develop and analyze property tax policy;
3. provide technical support, oversight, education, and information to local assessors to ensure that properties are properly classified and appraised at market value;
4. calculate and distribute state-paid property tax relief payments to local governments;
5. administer the direct property tax refund ("circuit-breaker") program for homeowners and renters;
6. value railroad and utility properties on a statewide basis for taxation by local governments;
7. assess taxes on airlight property and taconite production; and
8. conduct research and policy analysis on the integrated state-local fiscal system.

BUDGET ISSUES:

Tax Policy. The complexity of the property tax and local government aid laws causes confusion among taxpayers and local government administrators, creates disparities in the treatment of similar taxpayers, and increases the cost of the state-local revenue system. They make it difficult to establish accountability for local taxing and spending decisions. Through the Model Revenue System, we have developed a model that more clearly defines the relationships and recasts the methods of local government financing, with the continued goal of maximizing the use of limited state aid funds.

Compliance. The accuracy of the property tax refund claims is relatively low, with as many as 12% of property tax refund claims needing correction due to applicant or landlord error. In addition, we estimate that there are many people who are eligible but do not claim the tax refund.

Efficiency. For all participants, the property tax refund process is difficult and frustrating. For example, the lag time between applying for a refund and actually receiving it in September and October results in many inquiries, changes in address to be matched with the refund application, and so on. Simplifying and shortening the refund application and instructions could greatly increase taxpayers' understanding and ability to comply. A simplified program could reduce the costs of printing and mailing, and of correcting and explaining errors.

To address these issues, in the 1994-95 biennium we will invest in research aimed at documenting current costs and outcomes within the property tax system as a whole and the property tax refund program in particular. We will identify administrative and policy alternatives for improving the performance of the tax system in the 3 key areas identified: tax policy, property tax refund compliance, and document handling efficiency.

Our decision to devote resources to these activities, plus the 5% budget reduction, will mean:

1. reduced telephone access for taxpayers because it will be more difficult to get through on our service and information lines;
2. fewer audits of property tax refund claims;
3. less monitoring of market value estimates used by assessors, which are also the basis in setting the amount of state aid to local governments. Property owners may be more likely to challenge assessors' market valuations, and school districts may also challenge the market valuations used to set state aid amounts;
4. less oversight of how local governments calculate property taxes, which may result in undetected inconsistencies between local governments in how property taxes are determined.

OUTCOMES:

With limited resources in the 1994-95 biennium we will focus on building an understanding of the following issues:

1. We will identify ways to reduce costs through a simplified property tax refund program that reaches a higher percentage of eligible taxpayers. To do so, we will need to know:
 - how many eligible taxpayers do not apply for refunds and how to reach them;
 - where errors occur in our current refund application and whether a simpler form will solve these filing errors; and
 - how to refocus and streamline the delivery of information about the refund program.
2. We will identify ways to improve the efficiency of the state-local financing, which means measuring the performance of the current system in terms of:
 - administrative costs to us and local governments,
 - accountability to taxpayers, and
 - citizen access to local services.
3. We will identify and where possible implement ways to reduce the paperwork burden for citizens, local governments, and ourselves. This may include offering citizens direct deposit of their refunds and expanding our use of electronic data transfer with local governments.

1994-95 Biennial Budget

BUDGET ACTIVITY: Property Tax System Management
PROGRAM: Revenue System Management
AGENCY: Revenue, Department of
 (Continuation)

EFFICIENCY MEASURES:

In F.Y. 1992, we:

1. processed and mailed \$144 million in refunds to 550,000 property owners and renters at a cost of \$5.10 per applicant;
2. made state aid payments of \$735 million to over 3,000 local governments on or before the dates required by law;
3. conducted assessment-sales ratio studies to measure how close to market value assessors appraised the value of property;
4. conducted a survey of county auditors and treasurers that showed:
 - 70% agreed or strongly agreed that written instructions and bulletins were thorough and understandable;
 - 81% agreed or strongly agreed that responses to letter or phone inquiries were complete and understandable; and
 - 84% agreed or strongly agreed that the responses they received were courteous.

REVENUE:

The air flight property tax generated dedicated revenue for the airport fund.

Dollars in Thousands				
F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

Type of Revenue:

Non-dedicated - General				
Dedicated - Special	\$7,625	\$7,961	-	-
Dedicated - Federal	-	-	-	-

This activity makes payment of property tax refunds to individuals, and state aid payments to units of local government.

	<u>Stat. Auth.</u>	<u>Recipients</u>	<u>Dist. Criteria</u>
Homestead Agricultural Credit Aid (HACA)	273.1398 274.20	local governments	set by law
Local Government Aid	477A	local governments	set by law
City Equalization Aid	477A.013	cities	set by law

	<u>Stat. Auth.</u>	<u>Recipients</u>	<u>Dist. Criteria</u>
Disaster Credit	273.123	homeowners	set by law
Agricultural Preserves Credit	473H.10	farm owners	set by law
County Conservation Credit	273.119	farm owners	set by law
Enterprise Zone Credit	469.170	business owners	set by law
Disparity Reduction Credit	273.1398	business and apartment owners	set by law
Supplemental Taconite Homestead Credit	273.135	homeowners in taconite relief areas	set by law
Disparity Reduction Aid	273.1398	local governments	set by law
Police and Fire Aids	424A	local fire and police associations	set by law
Property Tax Refund	290A	homeowners and renters	set by law

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: REVENUE SYSTEMS MGMT
ACTIVITY: PROPERTY TAXES & LOCAL GOVT AID

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	4,923	4,978	5,141	5,148	4,979	4,812	5,148	5,003	4,835
EXPENSES/CONTRACTUAL SRVCS	1,709	826	844	831	776	776	832	777	777
MISC OPERATING EXPENSES	252	413	483	483	466	466	483	466	466
SUPPLIES/MATERIALS/PARTS	88	99	85	85	74	74	85	74	74
CAPITAL EQUIPMENT	128	168	51	51	25	25	51	16	16
SUBTOTAL STATE OPERATIONS	7,100	6,484	6,604	6,598	6,320	6,153	6,599	6,336	6,168
TOTAL EXPENDITURES	7,100	6,484	6,604	6,598	6,320	6,153	6,599	6,336	6,168
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<167>			<168>
TOTAL GOV'S INITIATIVES						<167>			<168>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVERNMENT TRUST		4	25	25	25	25	25	25	25
GENERAL	7,100	6,380	6,579	6,573	6,295	6,128	6,574	6,311	6,143
OPEN APPROPRIATIONS:									
GENERAL		100							
TOTAL FINANCING	7,100	6,484	6,604	6,598	6,320	6,153	6,599	6,336	6,168
POSITIONS BY FUND:									
GENERAL	110.0	113.0	113.0	104.0	104.0	104.0	104.0	104.0	104.0
TOTAL POSITIONS	110.0	113.0	113.0	104.0	104.0	104.0	104.0	104.0	104.0

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Revenue, Department of
 PROGRAM: Revenue Refunds and Aids
 ACTIVITY:

ITEM TITLE: Elimination of Political Contribution Refunds

THIS ITEM FOR INFORMATIONAL PURPOSES ONLY, THE NECESSARY LEGISLATION WILL BE HANDLED IN THE TAX COMMITTEES. THE GENERAL FUND BALANCE REFLECTS THIS PROPOSAL.

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(1,200)	\$(2,800)	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statute affected: M.S.290.06 Subd. 23

GOVERNOR'S RECOMMENDATION:

The Governor recommends elimination of the state's political contribution refund program for contributions made in 1993 after the date of enactment. This proposal expands on a 1992 legislative session recommendation of the Commission on Reform and Efficiency (CORE), which sought to reduce refunds to 50% of campaign contributions. This refund program was instituted in 1990 to encourage candidates for state offices to finance their campaigns with small contributions from many donors rather than with large contributions from a few donors.

There is not sufficient data to support or reject the contention that this program is achieving its stated purpose of encouraging more small contributions. It is also highly difficult and uneconomical to provide any kind of meaningful oversight (through either an audit or comprehensive impact report) over the process. This is a relatively expensive program to administer for the benefits received, with annual operating costs exceeding 5% of the refund amount.

PROGRAM OUTCOMES:

The recommendation to eliminate the refund program will save the state approximately \$1.2 million in F.Y. 1994 of the anticipated \$2.4 million projected spending and \$2.8 million in F.Y. 1995.

LONG-TERM IMPACT:

The state election campaign fund continues to exist, and should achieve substantially the same public purpose of reducing dependence on large public contributions.

1994-95 Biennial Budget

AGENCY: Disabled American Veterans (DAV)

MISSION:

The Disabled American Veterans (DAV) service officers serve as representatives for veterans and their families in obtaining benefits to which they are entitled. The DAV also provides information seminars and publishes articles to bring about an awareness concerning potential entitlement to benefits and services available through the DAV and the U.S. Department of Veterans Affairs. Four accredited representatives and 2 secretaries are employed at the Fort Snelling Department of Veterans Affairs' Regional Office. In addition, the DAV has department service officers and hospital service coordinators at both the Minneapolis Department of Veterans Affairs' Medical Center and the St. Cloud Department of Veterans Affairs' Medical Center. These Service Officers at the Medical Centers assist with claim applications and also assist veterans in obtaining transportation to obtain medical care. These services are provided free of charge, irrespective of membership in the Disabled American Veterans or its Auxiliary.

MINNESOTA MILESTONES:

This program serves the Milestones goals, under the milestone area of a caring and secure community.

CLIMATE:

Presently, there are over 500,000 veterans in Minnesota with increasing age and physical problems. The demand for the DAV's services continues to grow. We anticipate that the DAV will obtain over 5,000 favorable awards for veterans and widows and serve many more through advice and counsel. The DAV anticipates obtaining over \$25,000,000 in monetary benefits for veterans and widows in F.Y. 1994-95.

AGENCY BUDGET PLAN:

During the next biennium, it is anticipated that there will be a greater demand for services from the Disabled American Veterans because of the increasing age of veterans. The DAV also anticipates a substantial rise in the cost of providing services, particularly in view of the transportation services that are provided to assist veterans in obtaining medical care at Department of Veterans Affairs' Medical Centers.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

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1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: DISABLED AMER VETS
PROGRAM: DISABLED AMERICAN VETS
ACTIVITY: DISABLED AMERICAN VETS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE		13	12	12	12	12	12	12	12
TOTAL EXPENDITURES		13	12	12	12	12	12	12	12
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		13	12	12	12	12	12	12	12
TOTAL FINANCING		13	12	12	12	12	12	12	12
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

AGENCY: Military Order of the Purple Heart

MISSION:

The Military Order of the Purple Heart is a congressionally chartered veterans organization, under Public Law 85-761, authorized to represent veterans, dependents, widows, and orphans with a Veterans Affairs claim. The organization is exclusively made up of combat wounded from all wars, and provides free assistance to ALL veterans, regardless of their military service or records.

The National Service Office is located at Fort Snelling in the Bishop Henry Whipple, Federal Building, Room 183A. The staff consists of the National Service Officer and a full-time Administrative Assistant. In addition to this staff, there is a Hospital Representative at the Medical Center that forwards claims to our office for processing with the Veterans Affairs.

The Military Order of the Purple Heart is the only veterans organization that provides an outreach program to the veteran and their families in Minnesota. The National Service Officer works at the Vet Center on a weekly basis, and is on call for their needs as required.

CLIMATE:

Our appropriation is for the purpose "of assisting veterans in the preparation and presentation of claims to the Department of Veterans Affairs". We continue to honor this mandate from the Minnesota Legislature.

In addition, to working on compensation or pension claims, we assist with home loan procedures, overpayment of benefit claims, insurance problems and changes, military discharge reviews and upgrades, nursing home admittance, admission to Veterans Affairs Medical Centers, education and rehabilitation, including referrals to other state programs and participation in an Outreach Program which assists the homeless and disenfranchised veterans.

When a decision has been to deny a claimant, we assist in the appellate process by helping to prepare forms necessary to the appeal or hearing. If a hearing is scheduled the National Service Officer, as a personal representative, will make a statement in support of the claimant, and assist with the whole body of evidence during the hearing.

The national organization provides representation with the Boards of Veterans Appeals and the Court of Veterans Appeals.

Our National Service Office work load has increased over the past 2 fiscal years and continues to do so.

AGENCY BUDGET PLAN:

Our success is measured best by the number of veterans giving us their Power of Attorney (POA's) to represent them with the Department of Veterans Affairs. In 1990, there were 618 active powers of attorney (POA's) and today our office services 904 active POA's. An increase of 286 or 146%. Just in one fiscal year (7-1-91 to 6-30-92), we went from 708 POA's to the 904

POA's we have today for an increase of 127%.

Since 7-1-90 to 6-30-92, we have a total recovery of \$3,154,997.00 in veterans benefits that is put back into the state of Minnesota's economy. The monthly veterans benefits recovered is \$131,458.00. Our recovery of veterans benefits has increased by 124%.

During these past 2 fiscal years we held 838 interviews; reviewed 2,588 files; and filed 1,138 new claims with the Department of Veterans Affairs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MIL. ORDER PURPLE HEART
PROGRAM: MIL. ORDER PURPLE HEART
ACTIVITY: MIL. ORDER PURPLE HEART

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	10	10	10	10	10	10	10	10	10
TOTAL EXPENDITURES	10	10	10	10	10	10	10	10	10
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	10	10	10	10	10	10	10	10	10
TOTAL FINANCING	10	10	10	10	10	10	10	10	10
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

AGENCY: Veterans of Foreign Wars

MISSION:

The Veterans of Foreign Wars (VFW) Claims and Service offices serve as attorneys-in-fact for veterans, their dependents, widows and orphans in securing funds and services to which they are entitled. The VFW also seeks to increase awareness among veterans in Minnesota of the services available through the VFW Claims and Service offices at Fort Snelling and Fargo.

The office at Fort Snelling Veterans Administration Center employs 2 accredited claims representatives and 2 secretaries. The office in Fargo, serving 9 northwestern counties in Minnesota, employs a claims representative and a secretary. The VFW also provides hospital representatives at the V.A. medical centers in Minneapolis, St. Cloud and Fargo. These offices assist veterans and dependents in preparation of the required documentation and information necessary for securing benefits. They also provide representation in appeal procedures when claims are initially denied by federal agencies. The VFW also provides personnel for appeals at the V.A. central office in Washington, D.C. Membership in the Veterans of Foreign Wars or Ladies Auxiliary is not required in order to be represented by VFW offices.

CLIMATE:

The VFW provides power of attorney services to veterans and dependents. There are more than 500,000 veterans in Minnesota. As veterans age and experience increasing health and disability problems, demand for services increases. Services will be provided to an estimated 90,877 veterans and dependents annually in F.Y.s 1994-95, as compared to an estimated 81,500 annually in F.Y.s 1992-93. This will result in the receipt of an estimated \$26,184,000 in individual benefits each year.

AGENCY BUDGET PLAN:

It is anticipated that current program activities and requirements will increase in the next biennium. As aging veterans' disabilities become more severe, budget requirements will also increase due to office automation and a new (1989) source of appeal for veterans claims, designated as the Court of Veterans Appeals.

This new appeal court is the next step after the Board of Veterans Appeals and is a review, not a trial court. It reviews only Board of Veterans Affairs decisions. Base state resources will be used to supplement a portion of the budget for salaries, which total \$120,577. The alternative to use of state resources would be to lay off a claims officer and transfer the power of attorney function to the Department of Veterans Affairs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS OF FOREIGN WARS
PROGRAM: VETS OF FOREIGN WARS
ACTIVITY: VETS OF FOREIGN WARS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	31	31	31	31	31	31	31	31	31
TOTAL EXPENDITURES	31	31	31	31	31	31	31	31	31
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	31	31	31	31	31	31	31	31	31
TOTAL FINANCING	31	31	31	31	31	31	31	31	31
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

Office of Strategic and Long Range Planning

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Budgetary Authorized:		
General Fund	45.0	44.5
Gift	<u>4.0</u>	<u>3.0</u>
Total Permanent Positions	<u>49.0</u>	<u>47.5</u>
Other Complement (FTE)	15.0	10.0
TOTAL Positions	<u>64.0</u>	<u>57.5</u>
Employees on 6/30/92	56	

Employees by Employment Status:
--

	<u>6/30/92</u>
Full-Time Unlimited	29
Full-Time Temporary	21
Part-Time Temporary	<u>6</u>
TOTAL	<u>56</u>

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: MN PLANNING

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) CHILDREN'S INTEGRATED DATABASE	GEN	250		250			
(A) SALARY PLANNING ESTIMATES	GEN	<75>	<75>	<150>			
(B) COUNCIL ON GOVERNMENT INNOVATION	GEN	25		25			
TOTAL BY FUND	GEN	200	<75>	125			
TOTAL INVESTMENT INITIATIVES		200	<75>	125			

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Strategic and Long Range Planning, Office of

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$2,955	\$2,953	\$5,908
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$2,955	\$2,953	\$5,908
Inflation Cost Increases	86	175	261
Agency Management Decisions			
Agency Operations:			
Hold positions vacant	\$(135)	\$(155)	\$(290)
Voluntary reduction/retirements	(8)	(17)	(25)
Operating expenses	(36)	(96)	(132)
Charge special projects	(55)	(55)	(110)
Subtotal	<u>\$(234)</u>	<u>\$(323)</u>	<u>\$(557)</u>
TOTAL AGENCY PLAN	\$2,807	\$2,805	\$5,612
Governor's Initiatives			
Children's Integrated Data Base	\$250	\$-0-	\$250
Council on Government Innovation	25	-0-	25
Salary Planning Estimates	(75)	(75)	(150)
Subtotal	<u>\$175</u>	<u>\$75</u>	<u>\$190</u>
	<u>\$200</u>	<u>\$(75)</u>	<u>\$125</u>
GOVERNOR'S RECOMMENDATION	<u>\$2,982</u>	<u>\$2,730</u>	<u>\$5,712</u>
	<u>\$3,007</u>		<u>\$5,737</u>

Brief Explanation of Agency's Overall Actions:

Several management decisions have been made to allow for the 5% base reduction costs, inflation costs and salary supplement costs.

Due to the 1991 reorganization and staff reduction of the agency, Minnesota Planning was able to vacate its original library space and achieve savings in rent. By taking advantage of better technology and by better use of existing space, a smaller, more efficient and better focused library was recreated to replace the old library.

Due to recent vacancies and impending retirements, Minnesota Planning anticipates cost savings by replacing higher paid retiring workers with lower paid younger workers and by holding some positions vacant. The vacancies are possible because Minnesota Milestones is coming to an end. There is also a small savings from voluntary reduction in work hours. Minnesota Planning will reduce the number of reports it prints and charge a fee for some of the reports in order to recoup the costs of report production.

Finally, the amount budgeted for contractual services will be reduced.

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
2. Impact on Staffing:		
	3.0	3.0
Positions left Vacant or Eliminated		
Three positions currently vacant will be held vacant. Staff replacements will be analyzed for appropriate classification, timeliness and budgetary impact.		

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
3. Impact on Revenue Generation:			
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-

4. Affected Statutes:
None.

5. Governor's Recommendation

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments: a biennial increase above the agency plan level of \$250,000 for the biennium to support children's integrated data base development and children's cabinet staffing for the first 6 months of the biennium. These functions will be transferred to the Department of Children and Education Services on 1-1-94. Funding has been reduced due to revised salary planning estimates. Additional funding of \$25,000 has been provided for the Council on Government Innovation.

AGENCY: Strategic and Long Range Planning, Office of

MISSION STATEMENT:

The mission of the Office of Strategic and Long-Range Planning (Minnesota Planning) is to keep Minnesotans focused on the future; to provide policymakers with accurate information and analysis on emerging and critical issues; and to influence public policy decisions for a better future through long-range planning.

In support of this mission, and as outlined in its legislative charge, Minnesota Planning:

- Develops an integrated long-range plan for the state
- Coordinates activities among all levels of government
- Stimulates public interest and participation in the future of the state
- Acts with the Commissioner of Finance, affected state agencies and the Legislature in the planning and financing of major public programs.

To accomplish these objectives, Minnesota Planning plays a lead role in developing and implementing Minnesota Milestones, an integrated long-range plan for the state; identifying and analyzing emerging and critical issues; collecting, analyzing and disseminating demographic data and population trends; conducting long-range and strategic planning on environmental issues; planning and implementing reform of the service delivery system for children and families through coordination between state, county and local officials; coordinating activities between departments with major environmental programs through the Environmental Quality Board; conducting public meetings around the state to stimulate public participation and interest in long-range planning; publishing and distributing strategic planning information to the public; assisting Department of Finance in long-range planning through performance budgeting; working with state agencies to coordinate long-range strategic plans.

The office is organized into self-directed work teams to achieve programmatic and support functions with a minimum of management bureaucracy and maximum flexibility.

MINNESOTA MILESTONES:

Minnesota Planning developed Minnesota Milestones through a citizen-based process involving 10,000 participants. The vision, measurable goals and supporting indicators set priorities for the state and increase accountability in state government. Minnesota Planning is working with the Department of Finance to integrate Minnesota Milestones into the budget. Minnesota Planning has a continuing responsibility to monitor its implementation.

The Minnesota Milestones project supports the goal, "Government in Minnesota will be cost-effective and services will be designed to meet the needs of the people who use them," and "People will participate in government and politics".

In addition, the programmatic activities of Minnesota Planning support several of the Minnesota Milestones goals: The planning and coordination activities of the Children's Cabinet and Action for Children support the goals, "Our children will not live in poverty," "Families will provide a stable

environment for their children," "All children will come to school ready to learn," and "Minnesotans will be healthy." Improving the service delivery system for children should result in improvements in outcomes for children and families.

The strategic planning activities of the Environmental Quality Board support the goals, "Minnesotans will protect and enhance their environment," "We will improve the quality of the air, water and earth," and "Minnesota's environment will support a rich diversity of plant and animal life."

The activities of the State Demographer's Office support the goal, "We will welcome, respect and value people of all cultures, races and ethnic backgrounds" by collecting and analyzing demographic data relating to the people of Minnesota.

CLIMATE:

The following factors are shaping the development of policies and programs at Minnesota Planning:

1. **Minnesota Planning is a new agency.** The abolition of the old State Planning Agency and the creation of a much smaller Office of Strategic and Long Range Planning required new ways of doing business. Minnesota Planning has taken the lead among state agencies in reorganizing by going to a flat organizational structure using self-directed work teams which allows for more flexibility and fewer managers.
2. **Shrinking resources available for state government.** The size and resources for government are shrinking and this trend will continue. At the same time there is an increasing demand for many of these shrinking resources. Minnesota Planning provides analysis and planning that gives state government the ability to anticipate critical problems and the ability to respond sufficiently in this time of shrinking resources. Minnesota Planning has played a key role in establishing outcome budgeting and long-range planning through Minnesota Milestones.
3. **Coordination between all levels of government.** Coordination of agency efforts, pooling of agency resources and inter-agency planning makes government more efficient. Through Minnesota Milestones, the Children's Cabinet, Action for Children, the Environmental Quality Board, a variety of inter-governmental boards and informal planning groups, Minnesota Planning is providing greater coordination among all levels of government. Results of these efforts can be seen in the use of Minnesota Milestones in performance-based budgeting, the implementation of an integrated children's budget, and the influence of reports such as *High Stakes: Gambling in Minnesota* and *At the Crossroads: Higher Education in Minnesota* in the public policy arena. Current strategic planning issues include racism and equality and youth apprenticeship.
4. **Collaboration with the private sector.** Important societal goals can be identified by state government but not solely achieved by state government. The resources and ingenuity of the private sector must be used to achieve long-range goals. Minnesota Planning fosters and encourages collaboration between the public and private sectors, and between the state and federal government, in programs such as Action for Children, the Criminal Justice Statistical Analysis Center, the Teen Pregnancy Project (a collaborative project funded by non-profit foundations), and the Pew Charitable Trusts Children's Initiative.

AGENCY: Strategic and Long Range Planning, Office of
(Continuation)

AGENCY BUDGET PLAN:

The mission and priority of Minnesota Planning is long-range planning. Shrinking government resources makes long-range planning more necessary and more difficult.

Operational choices and restructuring options for saving money were implemented as part of the creation of the new agency in July, 1991.

To meet increasing costs due to inflation and salary increases, Minnesota Planning will hold three positions vacant. In addition, some retirements are anticipated within the next biennium which will allow additional salary savings.

Intra-agency collaboration is one method for stretching agency resources. Combined staff efforts from all teams to complete EQB and long-range planning projects will be necessary.

There is now collaboration with the private sector; and this will continue in the next biennium. Some savings are anticipated by billing back expenses to special projects.

OUTCOMES:

Minnesota Planning teams perform the functions listed above to achieve the following outcomes:

Goal: Develop an integrated long-range plan for the state.

- Indicators:
1. Completion of Minnesota Milestones project on schedule.
 2. Customer satisfaction with milestones, measured by surveying people who receive a copy of the report and other stakeholders.
 3. Successful integration and acceptance of Milestones as a long-range plan for the state, measured by number of executive branch agencies that have integrated milestones goals or indicators into their budgets; the number of agencies that have incorporated outcome measures into their long-range plans; number of requests from legislators for presentations on Minnesota Milestones; number of requests by the public to discuss Milestones.

Goal: Stimulate public interest and participation in the future of the state.

- Indicators:
4. Number of people who express interest in or participate in long-range planning activities, measured by requests for publications, attendance at meetings, customer satisfaction surveys distributed with agency products.
 5. Number of newspaper articles and broadcasts about Minnesota Planning activities and reports.
 6. Number of technical assistance requests completed.

Goal: Coordinate activities among all levels of government

- Indicators:
7. Governor's satisfaction with coordination efforts such as the integrated children's budget and other projects.
 8. Customer satisfaction surveys of agencies participating in coordination efforts.
 9. Number of Milestones goals achieved by target years in areas of coordination.

Goal: Act with Department of Finance in the planning and financing of major public programs.

- Indicator:
10. The degree to which concept of performance budgeting is accepted by Governor and the degree to which state agencies, in a critical self-assessment, can demonstrate improved results.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments: a biennial increase above the agency plan level of \$250,000 for the biennium to support children's integrated data base development and children's cabinet staffing for the first 6 months of the biennium. These functions will be transferred to the Department of Children and Education Services on 1-1-94. Funding has been reduced due to revised salary planning estimates. Additional funding of \$25,000 has been provided for the Council on Government Innovation.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MN PLANNING
PROGRAM: S & LR PLANNING
ACTIVITY: S & LR PLANNING

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	5,359	2,438	2,779	2,571	2,432	2,432	2,571	2,432	2,357
EXPENSES/CONTRACTUAL SRVCS	2,101	665	910	438	433	633	436	431	431
MISC OPERATING EXPENSES	895	134	200	177	172	172	177	172	172
SUPPLIES/MATERIALS/PARTS	458	65	61	60	60	60	60	60	60
CAPITAL EQUIPMENT	142	23			<1>	<1>		<1>	<1>
OTHER	62	4	5	5	5	5	5	5	5
SUBTOTAL STATE OPERATIONS	9,017	3,329	3,955	3,251	3,101	3,301	3,249	3,099	3,024
LOCAL ASSISTANCE	3,546	35	150	150	150	150	150	150	150
TOTAL EXPENDITURES	12,563	3,364	4,105	3,401	3,251	3,451	3,399	3,249	3,174
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<75>			<75>
(A) CHILDREN'S INTEGRATED DATABASE			GEN			250			
(B) COUNCIL ON GOVERNMENT INNOVATION			GEN			25			
TOTAL GOV'S INITIATIVES						200			<75>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST		161	239						
GENERAL	8,845	2,684	3,039	2,955	2,807	3,007	2,953	2,805	2,730
MN RESOURCES	614								
STATUTORY APPROPRIATIONS:									
GENERAL	212	129	50						
SPECIAL REVENUE	1,210	110	236	55	55	55	55	55	55
FEDERAL	1,616	79	61	61	59	59	61	59	59
GIFTS AND DEPOSITS	66	201	480	330	330	330	330	330	330

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MN PLANNING
PROGRAM: S & LR PLANNING
ACTIVITY: S & LR PLANNING

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL FINANCING	12,563	3,364	4,105	3,401	3,251	3,451	3,399	3,249	3,174
POSITIONS BY FUND:									
GENERAL	85.0	46.0	45.0	44.5	44.5	44.5	44.5	44.5	44.5
SPECIAL REVENUE	22.0								
FEDERAL	9.3								
GIFTS AND DEPOSITS		4.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL POSITIONS	116.3	50.0	49.0	47.5	47.5	47.5	47.5	47.5	47.5

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Office of Strategic and Long Range Planning
PROGRAM: Strategic and Long Range Planning
ACTIVITY: Strategic and Long Range Planning

ITEM TITLE: Council on Government Innovation

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$25	-0-	-0-	-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for the Council on Government Innovation to collect and analyze relevant data, develop models of reform and make available to all units of government the results of these models thereby leading to cost savings and improved service delivery.

The need for service delivery effectiveness and efficiency will continue as government budgets are put under increasing pressures. The council will identify new and innovative collaborative efforts local governments are using to provide efficient service delivery. The council will also identify barriers to successful service delivery and improvements in quality service delivery. Means of overcoming these barriers and development of reform ideas whose outcomes and cost-efficiency can be tested will also be identified.

LONG-TERM IMPACT:

Reduced costs and improved quality service delivery to Minnesota citizens at the local government level.

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

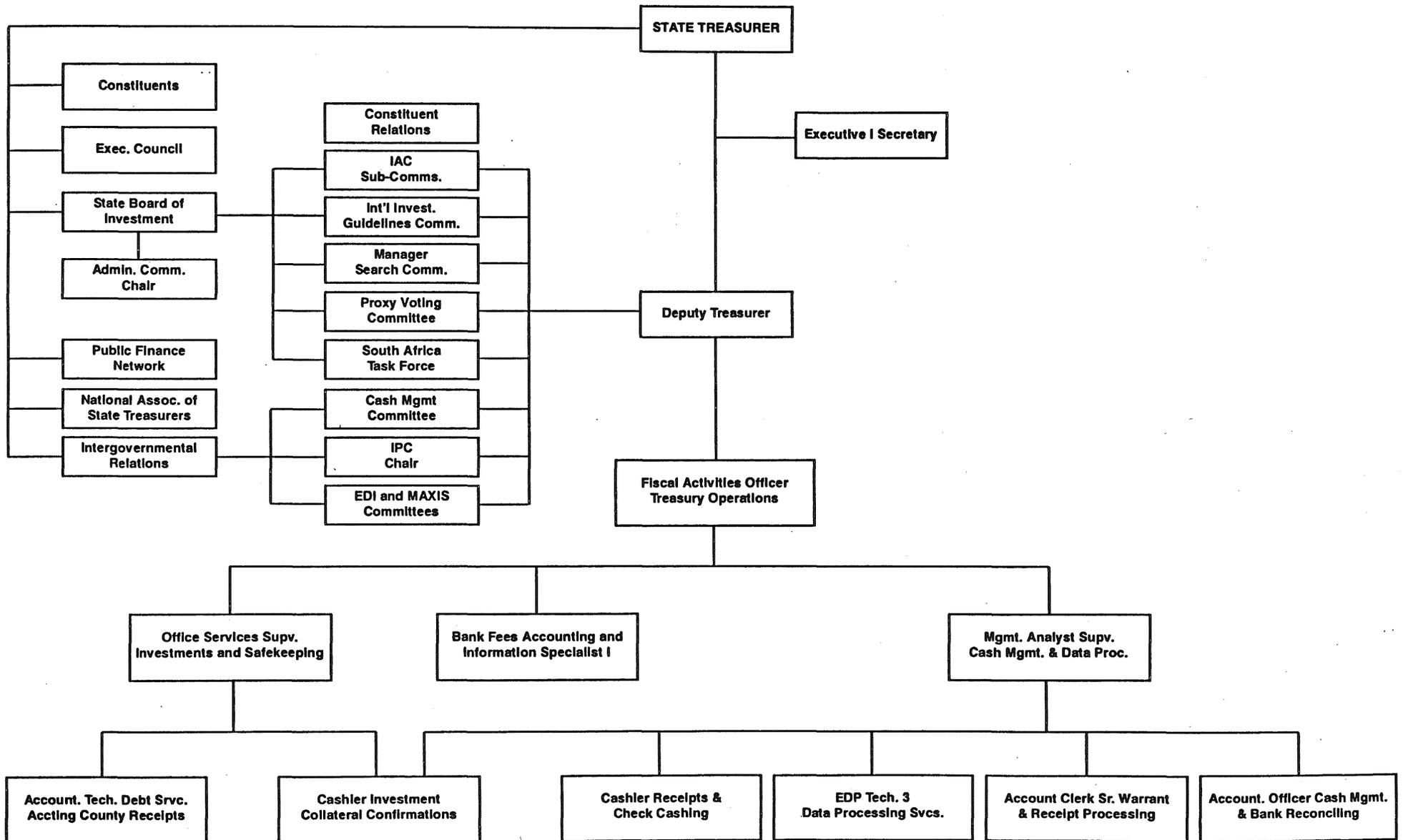
AGENCY: MN PLANNING

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	4,105	4,105	3,089	3,089	955	955	61	61
TECHNICAL ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<239>	<239>			<239>	<239>		
APPROPRIATIONS CARRIED FWD	<130>	<130>	<130>	<130>				
NON-RECURRING EXPENDITURES	<381>	<381>	<50>	<50>	<331>	<331>		
DOCUMENTED RENT/LEASE INC/DEC	54	52	54	52				
INSURANCE PREMIUM HOLIDAY	10	10	10	10				
PLANT MANAGEMENT REBATES	12	12	12	12				
1992 SESSION REDUCTIONS	<30>	<30>	<30>	<30>				
SUBTOTAL TECH. ADJ.	<704>	<706>	<134>	<136>	<570>	<570>		
CURRENT SPENDING	3,401	3,399	2,955	2,953	385	385	61	61
FORECAST ADJUSTMENTS								
FEDERAL RECEIPTS	<2>	<2>					<2>	<2>
SUBTOTAL FORECAST ADJ.	<2>	<2>					<2>	<2>
AGENCY BASE	3,399	3,397	2,955	2,953	385	385	59	59

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Office of the State Treasurer

Organization Chart as of 12/1/92



Department of Office of the State Treasurer

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	13.0	13.0
Total Permanent Positions	<u>13.0</u>	<u>13.0</u>
TOTAL Positions	<u>13.0</u>	<u>13.0</u>
Employees on 6/30/92	13.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	<u>13.0</u>
TOTAL	<u>13.0</u>

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: STATE TREASURER

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) 5% REDUCTION	GEN	<66>	<66>	<132>			
(A) BACK OUT CONSTITUTIONAL OFFICERS REC	GEN	<92>	<114>	<206>			
(A) BACK OUT CONSTITUTIONAL OFFICERS REC	GEN	<1,135>	<1,135>	<2,270>	<1,978>	<1,978>	<3,956>
(A) SALARY PLANNING ESTIMATES	GEN	<19>	<19>	<38>			
TOTAL BY FUND	GEN	<1,312>	<1,334>	<2,646>	<1,978>	<1,978>	<3,956>
TOTAL INVESTMENT INITIATIVES		<1,312>	<1,334>	<2,646>	<1,978>	<1,978>	<3,956>

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1994-95 Biennial Budget

AGENCY: State Treasurer, Office of the

MISSION STATEMENT:

The mission of the Office of State Treasurer, the chief elected state financial officer, is to carry out responsibilities in various monetary areas important to the efficient fiscal operation of state government, including: provide a system of checks and balances in the financial affairs of the state, formulate policy for cash control, and maintain sound cash management; debt service accounting; pension investment policy; policy for leasing natural resource sites; policy for state/federal fiscal relations; and coordination of related financial matters with the legislature and state and local agencies.

The Treasurer serves as a member of the State Board of Investment (SBI) and the Executive Council.

In addition, the incumbent Treasurer is an advocate for public pension rights, consumer rights, shareholder rights, democracy in corporate governance and intergovernmental tax immunity. The incumbent is also active in national public finance organizations: National Association of State Treasurers; National Conference on Public Employee Retirement Systems; Public Finance Network; Council of Institutional Investors; and Government Finance Officers Association.

The proper execution of the duties benefit the citizens and government of the state of Minnesota and requires funding at an adequate level.

The operational responsibilities and objectives of the office include:

- Approve an annual total of approximately 7,000,000 state issued warrants and legislative payroll and expenditures as they are presented by banks daily for payment.
- Accurately record daily deposits into 240 banks as reported by approximately 160 Deputy Registrars and 170 different state agencies throughout the state.
- Maximize investment earnings by determining amounts available for investment twice daily after analyzing receipt and disbursement activity.
- Verify all investment expenditures made by SBI staff and authorize payment to brokers.
- Verify receipts of all investment proceeds earned from investments made on behalf of state agencies.
- Assure each day that all state funds on deposit are properly collateralized.
- Formulate policy for cash management procedures.
- Pay and account for principal and interest due for some 70 state bonded debt issues.
- Receive, account for, and deposit federal and state income tax, medicare and social security taxes for the legislature, boards and commissions, state employees, state universities and community colleges.
- Verify, account for, and process payments to banks for service charges assessed the state for banking activities.

- Receive, account for and deposit the state shares of county receipts, miscellaneous gifts and escheated estates proceeds.
- Operate a cash facility to redeem state warrants, bonds and bond coupons.
- Prepare and publish a credit card report to be available to the general public for the purpose of comparing information of the various card issuers.

MINNESOTA MILESTONES:

Goal: To make government in Minnesota more efficient by better cash management and cost-effective improvements in the depositing and payment functions of state government.

Activities:

The Treasurer's Office has actively pursued numerous efficiencies in government over the past 6 years. The Office is designed to be the agency which is the link between all other agencies and banking institutions. In other words, we watch the state's cash, making sure it is safe, making sure there is enough (but not too much) left in the bank to pay each day's obligations, making sure the rest is invested, making sure our debt obligations are paid on time, and making sure that money coming into the state is in a bank and earning interest as soon as possible. Although it is a small office, it deals with every state agency and over 240 banks virtually every day.

Banking practices and procedures are complicated and confusing. Efficiency dictates that all matters relating to banks should be centralized if at all possible. The Treasurer's Office has begun this process through various on-going initiatives:

- a. New Information System - will allow all agencies and all banks to electronically communicate with the Treasurer and vice versa. An "open systems" architecture was developed with the help of IPO and InterTech, using less expensive minicomputer/PC hardware.
- b. Data Sharing - The Treasurer's Office is in the forefront of supporting and promoting the importance of data sharing in state government. When our system is fully operational, the goal is that all data in our system that is not confidential will be available on-line 24 hours a day to any person having access to the InterTech mainframe or via modem to our system. The Office will make available a data dictionary and procedures to facilitate access.
- c. Deposits (Agencies and Deputy Registrars) - half of the current paper system is being replaced by an electronic one. Agencies can input deposit information directly into the mainframe from where both the Treasurer and Finance can directly access their respective data. Results: Treasurer knows more quickly how much money is in each of our 330 bank accounts which enables us to earn more interest because money is invested sooner.
- d. Payments/Electronic Funds Transfers (EFT)
 1. ACH - electronic banking; allows the Treasurer to more efficiently receive and send state money among bank accounts and vendors. This means cash on hand is invested more quickly. ACH also allows agencies to transfer funds at exact times; e.g., payments to school districts. The state receives maximum interest; schools get paid on time; it is easier and cheaper for agencies to make payments (just create a computer file and give to the Treasurer); and state funds are protected because no money is actually disbursed without prior approval of the Treasurer.

1994-95 Biennial Budget

AGENCY: State Treasurer, Office of the
(Continuation)

2. Payroll Direct Deposit - allows wages to be paid directly into employee's bank account. This includes the legislature, although legislature is not a part of state-wide accounting (SWA). All such transfers are approved by Treasurer before bank is allowed to execute them.
3. Electronic Benefit Transfers (EBT's) - Treasurer is actively promoting and participating in efforts to make all Human Services public assistance payments electronically. This method is safer and cheaper for clients; less overhead and more efficient for state; less fraud.
- e. Electronic Data Interchange (EDI) - Treasurer and Finance initiated the formation of an EDI Steering Committee more than three years ago. Reason: more efficient cash management. EDI allows accounting and deposit information to be transferred electronically and simultaneously. The proper use of this technology, combined with re-engineered business processes, will be much more efficient for agencies; they enter data only once, send it anytime, and no paper.
- g. Principal and Interest on State Debt/Bonds (Paying and Budgeting) - before 1992, the entire debt portfolio and many of the computations regarding state debt payments were performed on a large mainframe at the University of Minnesota. Data was periodically re-entered into PC's at the Treasurer's Office and at Finance. The portfolio is now on the Treasurer's new system and performs these calculations. Finance is now on-line to our system.
- h. Direct Payment of Bank Fees - will save approximately \$250,000 for the General Fund in F.Y. 1993; if lockbox account is included by the legislature, an additional \$843,000 is the estimated savings in F.Y. 1994.
- i. Master Contract for Credit Card Vendors (Proposed) - current practice allows each agency to separately negotiate terms with credit card companies when the agency has elected to accept credit card payments. This is very inefficient. Agencies are not knowledgeable about these matters; volume discounts are lost; bidding is not competitive; balancing deposits is much more difficult; both paper and electronic systems must be supported, etc. Treasurer and Finance are developing a process which requires agencies (if they elect to accept credit card payments) to offer such services through a master contract.
- j. Electronic Audit Trails (Proposed) - current practice requires Treasurer to maintain cabinets of paper for audit purposes. New system is being designed to allow for safe, dependable electronic storage. Cheaper and may allow extensive auditing off-site. Currently, auditors spend approximately 4 months each year on-site. We would hope to share this technology with other agencies when approved.
- k. Consumer Credit Card Clearinghouse - Beginning 1-1-93, the Treasurer is compiling credit information from all creditors issuing credit cards for use in Minnesota. Information will be made available to the public.

All of these initiatives have been and will be made without adding to staff. The Treasurer believes that government administration is made more efficient and provides better service by eliminating duplication of effort through data sharing and by linking together the information systems maintained by the various agencies. Data sharing and linking are essential and can be mandated. The objectives are measurable; accountability is clear.

CLIMATE:

The State Treasurer receives and accounts for all monies paid into the state treasury and acts as a custodian for the same until lawfully disbursed. The activities described in the mission statement require sound cash management policies and procedures as well as a system of checks and balances internally and among agencies. The result is accountability to taxpayers for safekeeping public funds. The office has been innovative and aggressive in both cash management activities and operationally. Since 1985, the office has endured a staff reduction of 40%, while volumes, programs and responsibilities have increased. Declining economic conditions will increase our need to maintain a cash management system that maximizes earnings to the General Fund.

Electronic Data Interchange (EDI) and Electronic Fund Transfer (EFT) technology will be incorporated into the state's financial operations in the near future. The Treasurer's office will provide a major role in policy and application decisions as this process is carried out.

The office is a service oriented office. The office serves the public and all state agencies in performing duties that are unique. The office is the cash management and cash control center for the state. It transforms all revenues to cash and drives cash investment. The office is a vital link to the SWA System by providing fiscal information necessary to operate state government. In short, the office is watchdog for all monies paid into and out of the General Fund, retirement funds, debt service funds and other funds as representative of the taxpayers of Minnesota.

AGENCY BUDGET PLAN:

The Treasurer's Office new information and banking system which was funded and approved by the 1991 legislature, has been installed and, as expected, added additional costs for ongoing equipment and software maintenance. The additional costs are for the most part attributed to the communications flexibility of the system. The flexibility will allow state agencies, deputy registrars, the legislature, financial institutions and any others to communicate and transmit information electronically to and from this office. This communications ability greatly enhances cash management, provides much needed financial information to other state agencies and allows agencies to implement financial programs such as issuance of state warrants, direct input of agency deposits, electronic payments to vendors and individual electronic payroll, etc.

1. The Office is requesting an appropriation of \$1,135,000 to pay bank service fees. This appropriation will generate approximately \$1,978,000 in income to the general fund, representing increased earnings on compensating balances currently being used to pay bank fees. This appropriation will create a net increase to the General Fund of \$843,000 per year.
2. Prior to 1993 the Office received \$29,000 each fiscal year from the Department of Commerce as an inter-agency transfer for Unclaimed Property Services. These funds were used to pay a portion of our computer costs. The Treasurer's budget cannot absorb such a large reduction since the discretionary funding is only about \$26,000 per year. The Office is requesting an appropriation to replace this loss of revenue.

1994-95 Biennial Budget

AGENCY: State Treasurer, Office of the
(Continuation)

3. As expected, the Treasurer's new information system, including the communications flexibility necessary to exchange data easily with all agencies, has increased annual maintenance costs by \$20,000 per year. A total of \$28,000 is requested because an additional \$8,000 per year is needed to pay for empty space already existing in the Treasurer's Office. No rent has been paid for this space since the Department of Finance relocated to the Centennial Building in 1988.
4. The Office is requesting funds sufficient to pay for expected negotiated wage increases (salary supplement). This is a small agency, which means virtually no staff turnover and about 98 % of the budget committed to non-discretionary obligations. We are unable to absorb more salary increases.

The office is a part of virtually all financial affairs of all agencies in state government; however, its entire operating budget is paid by the General Fund rather than partially offset by the agencies for whom services are provided by the State Treasurer.

- We do not have authority or ability to contract with others for financial services provided;
- We do not maintain revolving fund accounts to recover our costs;
- We do not recover any part of our operating costs from the taxes, fines and fees which we process and which contribute to the General Fund; and,
- We do not receive any portion of the tens of millions of dollars generated by invested treasurer's cash for the General Fund, however, cash management, investment activity and warrant and receipt processing are continually increasing.

Since the office has only one program, our costs are mostly non-discretionary. Personnel costs account for 50% of our budget. Fixed operating contracts account for 48%. Only about 2% (26,000) of our budget is left for discretionary expenses such as supplies, printing, equipment, education and travel. Because of low turnover, personnel costs continue to erode each year the amount of the appropriation available for discretionary expenditures. Loss of earnings to the General Fund will be greater than any savings realized by applying the normal base reallocation decision to this office. Full support for the vital financial services provided by the Treasurer's office is important to the successful financial management and safety of public funds.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the State Treasurer to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the State Treasurer will adhere to the same budget constraints and targeted funding levels as state government agencies.

The Governor also recommends that the proposed funding be reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE TREASURER
PROGRAM: STATE TREASURY

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TREASURY MANAGEMENT	665	1,161	1,271	1,312	2,539	1,292	1,313	2,562	1,293
GENERAL REDUCTION						<65>			<65>
TOTAL EXPENDITURES BY ACTIVITY	665	1,161	1,271	1,312	2,539	1,227	1,313	2,562	1,228
GOV'S INITIATIVES:			FUND						
(A) BACK OUT CONSTITUTIONAL OFFICERS REC			GEN			<92>			<114>
(A) BACK OUT CONSTITUTIONAL OFFICERS REC			GEN			<1,135>			<1,135>
(A) 5% REDUCTION			GEN			<66>			<66>
(A) SALARY PLANNING ESTIMATES			GEN			<19>			<19>
TOTAL GOV'S INITIATIVES						<1,312>			<1,334>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	652	1,100	1,271	1,312	2,539	1,227	1,313	2,562	1,228
OPEN APPROPRIATIONS:									
GENERAL	13	59							
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE			2						
TOTAL FINANCING	665	1,161	1,271	1,312	2,539	1,227	1,313	2,562	1,228
POSITIONS BY FUND:									
GENERAL	12.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
TOTAL POSITIONS	12.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: STATE TREASURER

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	1,271	1,271	1,271	1,271				
TECHNICAL ADJUSTMENTS								
DOCUMENTED RENT/LEASE INC/DEC	3	4	3	4				
INSURANCE PREMIUM HOLIDAY	3	3	3	3				
PLANT MANAGEMENT REBATES	3	3	3	3				
1992 SESSION REDUCTIONS	32	32	32	32				
SUBTOTAL TECH. ADJ.	41	42	41	42				
CURRENT SPENDING	1,312	1,313	1,312	1,313				
AGENCY BASE	1,312	1,313	1,312	1,313				

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: State Treasurer, Office
 PROGRAM: State Treasury
 ACTIVITY: Treasury Operations

ITEM TITLE: Treasury Operations Deficiency Request

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$92	\$114	\$114	\$114
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the State Treasurer to present its budgetary needs directly to the legislature for consideration.

The Office the State Treasurer requests necessary funding of \$20,000 for the new information system maintenance cost increase; \$8,000 for space needed in the office; \$29,000 to replace funds taken away by the Department of Commerce, Unclaimed Property Division, and Compensation costs for negotiated wage increases at 3.5%.

When the Office of the State Treasurer's new information system was approved by the 1992-93 Legislature, it was understood that our annual ongoing system costs would increase. Because of the flexibility of the system and communications technology most of the increase is for software maintenance. The space request represents a pocket of space in the middle of the Treasurer's office that is not being paid for or utilized. It is necessary to utilize this space with the new information system.

Since 1986, the Department of Commerce has paid the Office of the State Treasurer \$29,000 per year to cover a portion of our computer costs. Last year the Department of Commerce decided to do this processing in-house instead of using the system in the Office of the State Treasurer.

Small agencies such as ours do not have the ability to absorb increased costs or revenue losses of this magnitude. Since we only have 1 activity and 98% of our budget is non-discretionary, it is extremely difficult to absorb these increases as we have during the past 4 years.

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: State Treasurer, Office
 PROGRAM: State Treasury
 ACTIVITY: Treasury Management

ITEM TITLE: Bank Service Fees

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,135	\$1,135	\$1,135	\$1,135
Revenues: (\$000s)				
General Fund	\$1,978	\$1,978	\$1,978	\$1,978
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the State Treasurer to present its budgetary needs directly to the legislature for consideration.

The Office the State Treasurer requests funding of \$1,135,000 to pay banking charges by fees for the Treasurer's Lock Box Account services rather than compensating balances.

The Office of the State Treasurer is proposing to pay bank service charges by fee rather than the current practice of using compensating balances. Through cash management and the State Board of Investment \$1,978,000 projected earnings will result in a net gain to the General Fund of \$843,000 annually. The reason for this difference is: 1) the State Board of Investment can earn

approximately 2% more than the bank; 2) the cost of managing the compensating balances is .5%; 3) at the current time only 90% of the balances in the bank earn any interest because federal laws require that 10% be retained as a reserve requirement and; 4) some \$114,000 in collateral costs would be saved.

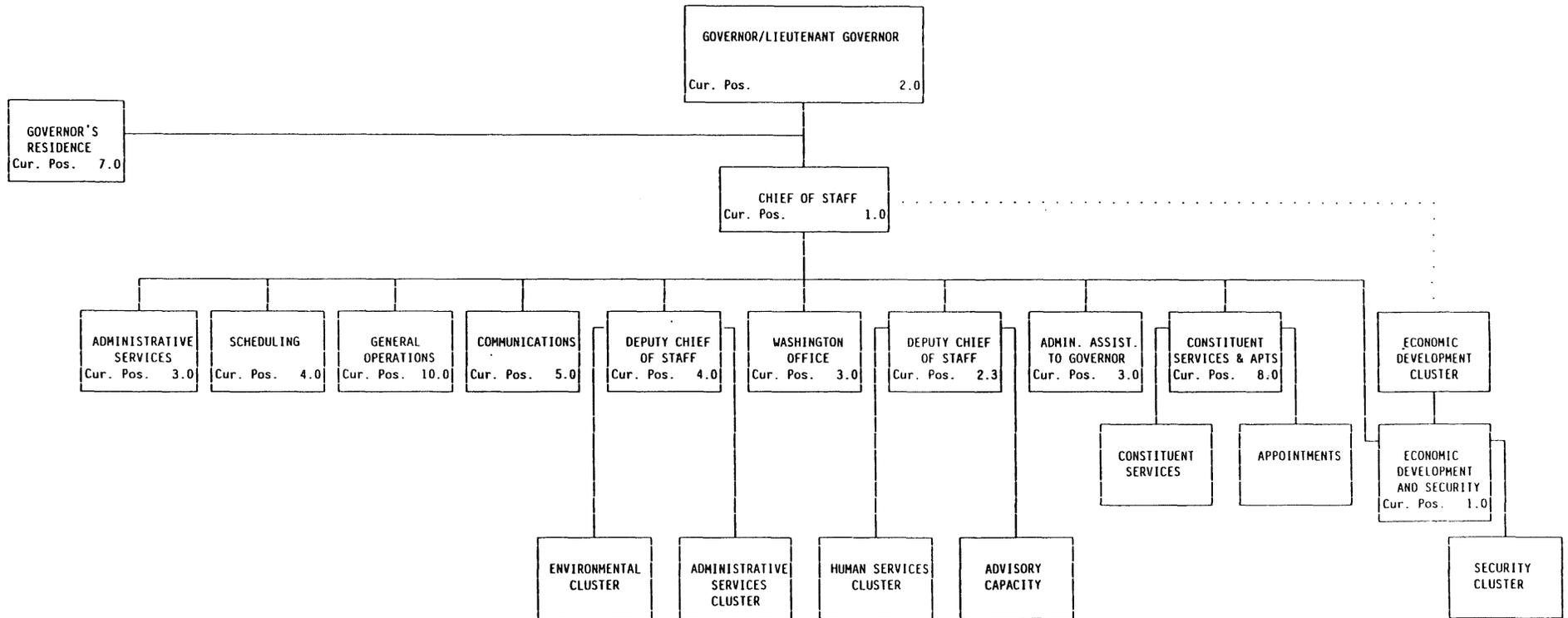
PROGRAM OUTCOMES:

By paying fees, the Office of the State Treasurer can better manage and control banking costs and services. Because cash management and maximizing available resources is so critical these days, using compensating balances is not a prudent method of paying for services.

LONG-TERM IMPACT:

As the costs of services rise, the concept of paying direct fees is even more important and the benefits to the state increases.

**Governor's Office
Organization Chart 1/1/93**



Governor's Office

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	<u>53.3</u>	<u>53.3</u>
Total Permanent Positions	<u>53.3</u>	<u>53.3</u>
Other Complement (FTE)	1.0	1.0
TOTAL Positions	<u>54.3</u>	<u>54.3</u>
Employees on 6/30/92	52	

Employees by Employment Status:
--

	<u>6/30/92</u>
Full-Time Unlimited	50.0
Part-Time Unlimited	1.0
Part-Time Temporary	<u>1.0</u>
TOTAL	<u>52.0</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Governor's Office

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$3,447	\$3,448	\$6,895
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$3,447	\$3,448	\$6,895
Inflation Cost Increase	98	199	297
Agency Management Decisions			
Agency Operations:			
Organizational restructuring	\$(123)	\$(139)	\$(262)
Operating expenses	<u>(147)</u>	<u>(232)</u>	<u>(379)</u>
Subtotal	<u>\$(270)</u>	<u>\$(371)</u>	<u>\$(641)</u>
TOTAL AGENCY PLAN	\$3,275	\$3,276	\$6,551
Governor's Initiative			
Salary Planning Estimates	\$(80)	\$(80)	\$(160)
GOVERNOR'S RECOMMENDATION	<u>\$3,195</u>	<u>\$3,196</u>	<u>\$6,391</u>

Brief Explanation of Agency's Overall Actions:

The Governor's Office will initiate a combination of the following cost-cutting measures; organizational restructuring and reduction of operating expenses.

2. Impact on Staffing:

F.Y. 1994 F.Y. 1995

0.0 0.0

Organizational restructuring has reduced staffing obligations and discontinued activities duplicated in other agencies.

3. Impact on Revenue Generation:

F.Y. 1994 F.Y. 1995 F.Y. 94-95

Agency Plan \$-0- \$-0- \$-0-

4. Affected Statutes:

None.

5. Governor's Recommendation:

The Governor recommends no additional funding for his office and the Office of Lieutenant Governor, and will adhere to the same budget constraints and targeted funding levels as other state government agencies. The Governor also has reduced proposed funding for anticipated savings due to revised salary planning estimates.

1994-95 Biennial Budget

AGENCY: Governor's Office

MISSION:

As Chief Executive, the Governor is responsible for the general direction and supervision of the affairs of the state. The Governor appoints the majority of state department heads and the members of most boards and commissions. The Governor fills vacancies which occur in judgeships, commissions public notaries, issues extradition papers and restores civil rights to felons, fills the position of commander-in-chief of the military forces of Minnesota, prepares comprehensive long range plans for the orderly coordinated growth of the state, and establishes advisory committees to aid in developing his legislative proposals and plans for executive action. The Governor has the responsibility of informing the legislature of the general condition of the state; of reviewing all laws passed by the legislature and of calling special sessions of the legislature when needed. The Governor is responsible for the biennial budget and its presentation to the legislature.

Executive Operations - Governor

The executive operations of the Governor's Office encompass various levels of support that allow the Governor to fulfill his responsibilities as required under the authority of the Constitution and statutory laws of the state.

The Governor's Office is organized to provide the necessary assistance to enable the Governor to effectively administer his duties as Chief Executive. Major duties of the Governor are to:

- oversee and provide leadership for the day to day operations of state government, with emphasis on quality service delivery and state agency responsiveness to Minnesota citizens;
- take the lead in shaping public policy;
- develop programs directed toward efficient, effective operation of state government;
- represent the citizens of the state at various official and non-official functions at local, state and national levels;
- promote business development and help create new jobs with assistance and advice from legislators and business leaders;
- utilize the Governor's Residence for visiting guests and dignitaries and to provide a comfortable living quarters for the Governor and his family;
- participate with other governors in the National Governor's Association, sharing information and developing new ideas for government reform and implementation of policy initiatives;
- to appoint citizens to state boards and commissions and to appoint judges for all court systems when vacancies occur; and
- to perform all other duties as specified by the laws of the state.

Executive Operations - Lieutenant Governor

The Lieutenant Governor's chief duty is to assist the Governor in carrying out the functions of the executive branch (and to be prepared to act in the Governor's absence when required). This program encompasses all levels of support that make it possible for the Lieutenant Governor to fulfill these responsibilities. Major duties of the Lieutenant Governor as authorized by statute or delegated by the Governor are to:

- coordinate the state's tourism program;
- initiate and coordinate programs designed to lessen violence and protect the victims of violence;
- develop and promote policies supporting Minnesota's children and families;

- assist Governor in implementing and publicizing policies aimed at enhancing job growth;
- assist in development of policies and programs relating to the status of women and minorities;
- chair the Capitol Area Architectural Planning Board;
- serve as a member of the Executive Council; and
- carry out all other gubernatorial assignments.

MINNESOTA MILESTONES:

The Governor's Office will provide the direction and leadership that will enable state agencies to implement the goals established by Minnesota's citizens through the Minnesota Milestones program.

CLIMATE:

The following factors are shaping the executive operations of the Governor's Office:

- Governor and staff have focused on the management of state government, examining, measuring and reforming government service delivery;
- on establishing quality and customer-driven systems which eliminate overlapping services and the attendant citizen confusion;
- on encouraging sustainable economic development and on incentives for job growth;
- on children's services including measurable and achievable goals for education and significantly improving high school graduation rates; and
- on maintaining a quality of life that emphasizes generally available health care, environmental protection and a safe, non-violent society.

AGENCY BUDGET PLAN:

The Governor's Office will initiate a combination of the following cost-cutting measures; organizational restructuring and reduction of operating expenses.

GOVERNOR'S RECOMMENDATION:

The Governor recommends no additional funding for his office and the Office of Lieutenant Governor, and will adhere to the same budget constraints and targeted funding levels as other state government agencies. The Governor also has reduced proposed funding for anticipated savings due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: GOVERNOR'S OFFICE
PROGRAM: EXEC OPERATIONS - GOV
ACTIVITY: EXECUTIVE ACTIVITIES

ACTIVITY SUMMARY	FY 1993			FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,193	2,139	2,442	2,513	2,390	2,310	2,513	2,374	2,294
EXPENSES/CONTRACTUAL SRVCS	308	866	272	367	359	359	368	363	363
MISC OPERATING EXPENSES	363	859	428	445	417	417	445	426	426
SUPPLIES/MATERIALS/PARTS	183	135	139	156	143	143	156	147	147
CAPITAL EQUIPMENT	15	3	189	3	3	3	3	3	3
SUBTOTAL STATE OPERATIONS	3,062	4,002	3,470	3,484	3,312	3,232	3,485	3,313	3,233
TOTAL EXPENDITURES	3,062	4,002	3,470	3,484	3,312	3,232	3,485	3,313	3,233
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES									
GEN									
						<80>			
TOTAL GOV'S INITIATIVES						<80>	<80>		
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,032	3,959	3,422	3,447	3,275	3,195	3,448	3,276	3,196
STATUTORY APPROPRIATIONS:									
GENERAL	2	2							
SPECIAL REVENUE	18	37	37	37	37	37	37	37	37
GIFTS AND DEPOSITS	10	4	11						
TOTAL FINANCING	3,062	4,002	3,470	3,484	3,312	3,232	3,485	3,313	3,233
POSITIONS BY FUND:									
GENERAL									
GENERAL	50.3	53.3	53.3	53.3	53.3	53.3	53.3	53.3	53.3

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: GOVERNOR'S OFFICE
PROGRAM: EXEC OPERATIONS - GOV
ACTIVITY: EXECUTIVE ACTIVITIES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	50.3	53.3	53.3	53.3	53.3	53.3	53.3	53.3	53.3

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: GOVERNOR'S OFFICE

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	3,470	3,470	3,422	3,422	48	48		
TECHNICAL ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<194>	<194>	<194>	<194>				
NON-RECURRING EXPENDITURES	<11>	<11>			<11>	<11>		
BASE TRANSFER (BTWN AGENCIES)	<22>	<22>	<22>	<22>				
DOCUMENTED RENT/LEASE INC/DEC	91	92	91	92				
INSURANCE PREMIUM HOLIDAY	11	11	11	11				
PLANT MANAGEMENT REBATES	9	9	9	9				
1992 SESSION REDUCTIONS	130	130	130	130				
SUBTOTAL TECH. ADJ.	14	15	25	26	<11>	<11>		
CURRENT SPENDING	3,484	3,485	3,447	3,448	37	37		
AGENCY BASE	3,484	3,485	3,447	3,448	37	37		

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1994-95 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: STATE AUDITOR, OFFICE OF

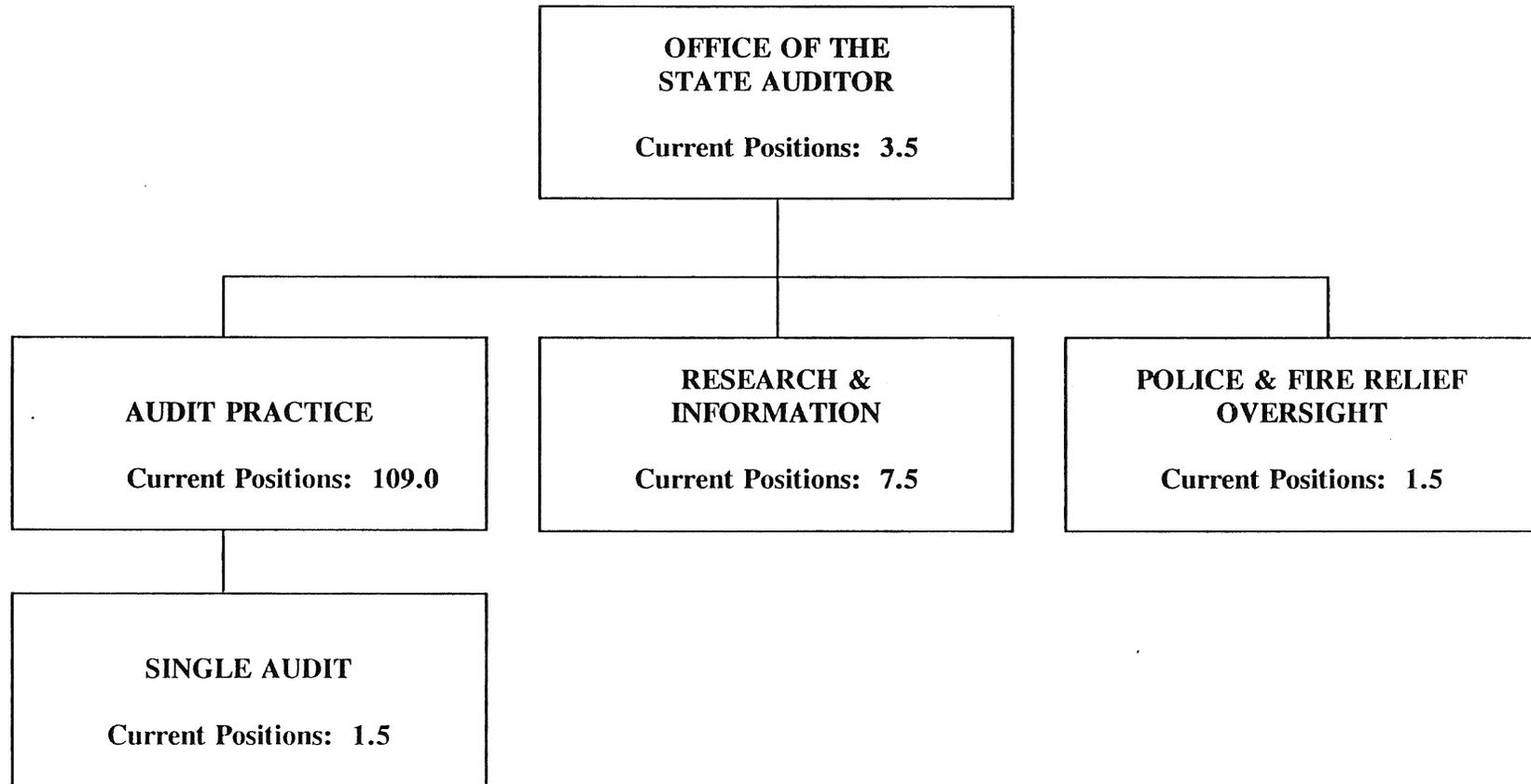
PROGRAM

PAGE

STATE AUDITOR, OFFICE OF

Constitutional Office	E-378
Audit Practice	E-380
Research and Information	E-383
Police/Fire Relief Oversight	E-385
Single Audit	E-387

Office of the State Auditor Organization Chart 7/1/92



Office of The State Auditor
Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	<u>123.0</u>	<u>123.0</u>
Total Permanent Positions	<u>123.0</u>	<u>123.0</u>
Other Complement (FTE)	9.0	9.0
TOTAL Positions	<u>132.0</u>	<u>132.0</u>
Employees on 6/30/92	119.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	115
Full-Time Temporary	<u>4</u>
TOTAL	<u>119</u>

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) 5% AGENCY REDUCTION	GEN	<336>	<336>	<672>			
(A) SALARY PLANNING ESTIMATES	GEN	<185>	<185>	<370>			
(P) BACK OUT AGENCY PLAN	GEN	<454>	<683>	<1,137>	<454>	<683>	<1,137>
TOTAL BY FUND	GEN	<975>	<1,204>	<2,179>	<454>	<683>	<1,137>
TOTAL INVESTMENT INITIATIVES		<975>	<1,204>	<2,179>	<454>	<683>	<1,137>

1994-95 Biennial Budget

AGENCY: State Auditor, Office of

MISSION STATEMENT:

The mission of the Office of the State Auditor is to assure integrity, accountability and cost-effectiveness in government for the citizens of Minnesota by serving as their watchdog over local governments.

The Office helps assure integrity in government through its oversight of 3,555 cities, townships, school districts and other local government entities. Through its audits, the Office assures Minnesotans that their tax dollars are being properly spent. A Special Investigations unit has been created to investigate theft, fraud, or other illegalities in the financial conduct of local governments.

The Office helps assure accountability in government by holding local officials accountable for their spending decisions. Through its audits and research reports, the Office provides an accounting to citizens about how their tax dollars are spent.

The Office helps assure cost-effectiveness in government by helping local governments to assess their spending patterns and to find more efficient ways of providing essential government services. The Office provides cities and counties with information about how their spending for different services compares with their counterparts. Through this analysis, local officials can identify areas in which spending might be reduced or services provided more efficiently.

The Office of the State Auditor has 5 budget activities which enable it to carry out this mission: Constitutional Office; Audit Practice; Research and Information; Police/Fire Relief Oversight; and Single Audit.

The responsibilities of the various activities are as follows:

- The Constitutional Office activity manages the operations of the Office of the State Auditor. It oversees the completion of audits, special investigations, research reports, conferences, training programs and other activities. It is responsible for designing and implementing the Office's strategic plan. The State Auditor serves on the State's Executive Council, State Board of Investment, Land Exchange Board, Housing Finance Agency, Rural Finance Administration Board and Public Employees Retirement Association Board.
- The Audit Practice activity ensures the accountability and financial viability of local units of government. This is accomplished by performing audits, attesting to the accuracy of financial statements, ensuring compliance with applicable laws and regulations, establishing uniform reporting standards, and providing technical assistance to strengthen accounting practices and improve operating efficiency. Its Special Investigations unit investigates allegations or evidence of financial wrongdoing by local government officials or employees.
- The Research and Information activity promotes financial accountability and cost effective public services in local governments. Local government spending patterns are analyzed, statewide financial data is made available, accounting and financial reporting standards are prescribed, and local governments are helped to automate and improve their accounting functions.

- The Police/Fire Relief Oversight activity monitors the financial and actuarial reporting of police and fire relief associations to ensure a sound retirement for association members and compliance with Minnesota statutes.
- The Single Audit activity determines if single audit reports submitted by local units of government have complied with the Single Audit Act of 1984 and the Office of Management and Budget Circulars A-128 and A-133.

MINNESOTA MILESTONES:

Minnesota state and local governments have been recognized nationally for their commitment to providing high quality public services. While the cost of providing public services in Minnesota is greater than the national average, Minnesotans have generally been willing to pay the additional costs — provided they are convinced that the higher level of spending is providing more and better public services. Minnesotans' willingness to pay state and local taxes will quickly evaporate if they believe their tax dollars are being used unwisely.

The Minnesota Milestones Project has established a goal that Government in Minnesota will be more efficient. The central mission of the Office of the State Auditor will help Minnesota achieve this milestone.

Integrity, accountability and cost-effectiveness in government, are the key components of more efficient local governments.

- Local governments will be more efficient if all local officials are held to the highest levels of integrity. The expanded Special Investigations unit within the Audit Practices activity will enable the Office to fully investigate allegations of impropriety by Minnesota local officials. When theft, embezzlement or other improprieties are found, the Office will work with local law enforcement officials to assure Minnesotans that abuses of the public trust will not be tolerated in the State of Minnesota. Publicizing the findings of Special Investigations will also serve as a deterrent to further abuses of the public trust by other local officials.
- Local governments will be more efficient if local officials are held more accountable for their decisions. The Audit Practices and Research and Information activities will enable the Office to promote better accountability for the collection and expenditure of local government revenues. The local government audits that are performed by professionally trained auditors help guard against the improper use of public resources and alert local officials to opportunities to improve their management practices. The Research and Information activity improves financial accountability for local governments by compiling local government fiscal information and conducting detailed analysis of the information. Local citizens can use the detailed analyses to ask their elected officials more informed questions about local government fiscal activities. A well informed citizenry is best able to hold local officials accountable.
- Local governments will be more efficient if local officials are able to employ more cost-effective ways of providing public services. Over the past 2 years, the Office of the State Auditor has laid the groundwork for promoting more cost-effective delivery of services by Minnesota local governments. The Audit Practices activity has become more client-oriented and will be providing more and better training opportunities for local government accounting personnel. The newly created Research and Information activity is now able to begin identifying local governments that have developed more cost-effective ways of delivering public services, and by doing so, will encourage other local governments to replicate the systems for their own use.

1994-95 Biennial Budget

AGENCY: State Auditor, Office of
(Continuation)

CLIMATE:

The climate in which all governments exist today demands that government in Minnesota must be more efficient. During the decades of the 60's and 70's, Minnesota benefitted from a rapidly expanding economy, with employment and personal income growth rates that were well above national average. Minnesota's state and local governments also benefitted from the rapid economic expansion. Rapid growth in personal income and property values made it possible for state and local government to raise the revenues necessary to finance new and improved public services.

The decade of the 80's brought new economic realities to Minnesota. Personal income growth rates no longer exceeded the national average. Minnesota experienced a large surge in the number of citizens living in poverty. The economic trends of the 1980's dealt a double blow to Minnesota state and local governments. Minnesota's expanded low income population turned to state and local governments for more and better public services. At the same time, slow growth in personal incomes in many regions of the state made it difficult or impossible to raise additional revenue to finance these public services. As a result, state and local officials found themselves facing a decade of annual fiscal crises.

If state and local officials are going to meet the need for more and better public services, they must identify and implement more efficient and effective ways of providing these services. If Minnesota governments are going to maintain the confidence of their citizens, they will need to demonstrate to the citizens that government officials can be held accountable for the wise expenditure of tax dollars. If Minnesota's governments are to continue to be the envy of governments throughout the nation, they will need to hold themselves to the highest standards of integrity.

AGENCY BUDGET PLAN:

The Office of the State Auditor is largely fee supporting. Approximately 90% of the Office's budget is for the Audit Practice activity which in F.Y. 1992 fully funded itself through its audit fees. At the same time, 87% of the Office's budget goes for salaries. The Office has no ability to absorb cost of living and step increases except through increased funding, which will be recovered through client fees.

The Office is requesting to operate at the same level of staffing and programming as during the previous biennium. Its budget request is less than the projected increase in state revenues. It provides for salary increases, which will be recovered through client fees, to avoid eliminating existing personnel and curtailing audit services.

OUTCOMES:

The Office will conduct 466 audits of local units of government during the F.Y. 1992-93 biennium. The Office annually audited 86 of Minnesota's 87 counties (all except Hennepin), the 3 cities of the first class, and other cities, school districts, and other local government entities as selected and requested.

As of October, 1992, the newly created Special Investigations unit conducted 90 inquiries into allegations of theft, embezzlement, fraud, and other illegal financial acts by the local officials and employees. As a result of completing 17 major special investigations, over \$600,000 was identified as expended improperly or illegally. The results of these investigations were referred to the appropriate county attorneys for prosecution of wrongdoers.

As of October, 1992, Research and Information activity issued 10 research and analysis reports on a variety of topics, including comparative expenditures by cities and counties, local government salaries, trends in the Minnesota economy and the County Veterans Service Officer program.

The Single Audit activity completed its single audit report review of 2,212 reports during the F.Y. 1992-93. The Police and Fire activity reviewed financial reports and/or audits of 716 police and fire relief associations. The financial data on these relief associations was compiled in a statewide database and used by the associations and legislative committees to gauge the overall financial health of the associations.

OBJECTIVES:

To continue to aggressively pursue the objectives identified in its mission statement over the course of the next biennium. All activities of the Office are now fully staffed and the Office will now be able to operate at its intended capacity.

To promote integrity in government, the Special Investigations unit will respond promptly to all allegations of misappropriation of public funds. Based on the experience of the current biennium, the unit anticipates conducting 280 inquiries, performing 42 full scale investigations and identifying over \$2,000,000 in misappropriated funds during the F.Y. 1994-95 biennium.

To promote accountability in government, each year of the biennium the Audit Operations unit will conduct approximately 220 audits of local governments; the Research and Information activity will review the financial reports of 2,855 local government and compile a statewide database for all local government financial data. The Research and Information activity will continue to analyze local government financial and economic data and release approximately 12 reports annually informing Minnesotans about the financial stability of their government.

To promote cost-effectiveness in government, the Audit Practice activity and the Research and Information activity will continue to work closely with all local governments, identifying and publicizing cost-effective service delivery mechanisms currently in place throughout the state, and providing customized training opportunities to help meet the training needs of local government staff.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Office of State Auditor to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Office of State Auditor will adhere to the same budget constraints and targeted funding levels as state government agencies. The Governor also recommends that proposed funding be reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR

ACTIVITY RESOURCE ALLOCATION:				FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
CONSTITUTIONAL OFFICE	243	193	294	229	229	223	229	229	223
AUDIT PRACTICE	5,323	5,527	6,316	6,074	6,454	5,898	6,074	6,669	5,898
RESEARCH & INFORMATION	232	217	318	318	392	309	318	406	309
POLICE/FIRE RELIEF OVERSIGHT	72	69	73	72	72	70	72	72	70
SINGLE AUDIT	75	77	77	77	77	75	77	77	75
GENERAL REDUCTION						<326>			<326>
TOTAL EXPENDITURES BY ACTIVITY	5,945	6,083	7,078	6,770	7,224	6,249	6,770	7,453	6,249
GOV'S INITIATIVES:			FUND						
(A) 5% AGENCY REDUCTION			GEN			<336>			<336>
(A) SALARY PLANNING ESTIMATES			GEN			<185>			<185>
(P) BACK OUT AGENCY PLAN			GEN			<454>			<683>
TOTAL GOV'S INITIATIVES						<975>			<1,204>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	5,899	6,036	7,025	6,717	7,171	6,196	6,717	7,400	6,196
STATUTORY APPROPRIATIONS:									
GENERAL		3	3	3	3	3	3	3	3
SPECIAL REVENUE	46	44	50	50	50	50	50	50	50
TOTAL FINANCING	5,945	6,083	7,078	6,770	7,224	6,249	6,770	7,453	6,249
POSITIONS BY FUND:									
GENERAL	115.0	120.0	123.0	123.0	123.0	123.0	123.0	123.0	123.0
TOTAL POSITIONS	115.0	120.0	123.0	123.0	123.0	123.0	123.0	123.0	123.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: STATE AUDITOR

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	7,078	7,078	7,028	7,028	50	50		
TECHNICAL ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<332>	<332>	<332>	<332>				
INSURANCE PREMIUM HOLIDAY	24	24	24	24				
SUBTOTAL TECH. ADJ.	<308>	<308>	<308>	<308>				
CURRENT SPENDING	6,770	6,770	6,720	6,720	50	50		
AGENCY BASE	6,770	6,770	6,720	6,720	50	50		

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1994-95 Biennial Budget

BUDGET ACTIVITY: Constitutional Office
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of

ACTIVITY DESCRIPTION:

The Constitutional Office activity provides overall management of the Office of the State Auditor for its regular and special audits. It oversees timely completion of these audits and the process by which the content, recommendations and technical proficiency are reviewed for accuracy before being issued. The activity directs training programs and conferences hosted by the Office of the State Auditor. It distributes financial information regarding the financial condition of local governments. It works with local officials to improve the quality of their financial operations and to make their services more efficient and cost-effective. It is responsible for designing and implementing the strategic plan for the Office. The State Auditor serves on the State's Executive Council, State Board of Investment, Land Exchange Board, Housing Finance Agency, Rural Finance Authority Board and Public Employees Retirement Association Board.

EFFICIENCY MEASURES:

- Provide supervisory oversight and direction to the audit staff concerning all aspects of financial and compliance auditing.
- Training programs and conferences are highly educational and instructive for those in attendance.
- Analyze and share information collected by the Research and Information activity on the financial condition of local governments and the financial trends affecting government at state and local levels.
- Communicate with local government officials through the use of a quarterly informational newsletter.
- Monitor local governments reporting requirements on a regular basis.
- Monitor the investments and policies of the Minnesota State Board of Investment.
- Oversee policies and practices of the Public Employee Retirement Association Board.
- Establish policies and oversight for the Office of the State Auditor regarding proper financial controls and administrative procedures.
- Provide assistance and information to citizens, local government officials and state agencies concerning the operation of the Office of the State Auditor.

REVENUE: None

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: CONSTITUTIONAL OFFICE

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomn.	Current Spending	Agency Plan	Governor Recomn.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	202	156	196	197	197	191	197	197	191
EXPENSES/CONTRACTUAL SRVCS	23	18	88	22	22	22	22	22	22
MISC OPERATING EXPENSES	4	12	6	6	6	6	6	6	6
SUPPLIES/MATERIALS/PARTS	5	3	3	3	3	3	3	3	3
CAPITAL EQUIPMENT	9	4	1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	243	193	294	229	229	223	229	229	223
TOTAL EXPENDITURES	243	193	294	229	229	223	229	229	223
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<6>			<6>
TOTAL GOV'S INITIATIVES						<6>			<6>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	243	193	294	229	229	223	229	229	223
TOTAL FINANCING	243	193	294	229	229	223	229	229	223
POSITIONS BY FUND:									
GENERAL	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
TOTAL POSITIONS	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5

1994-95 Biennial Budget

BUDGET ACTIVITY: Audit Practice
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of

ACTIVITY DESCRIPTION:

The Audit Practices activity is integrally responsible for the Office's ability to achieve all three components of its mission. The activity helps ensure integrity, accountability and cost-effectiveness in government.

- The Special Investigations unit is the primary tool through which the Office is able to promote integrity in government. Over the past 2 years, the Office has significantly expanded the role and importance of the Special Investigations unit. The Special Investigations unit relies on the routine local government audits, local government officials and employees, and concerned citizens for information about suspected theft, embezzlement or misappropriation of public funds. Upon receiving allegations of impropriety, specially trained investigators are assigned to determine if the evidence substantiates the allegations. If evidence exists that misappropriation of funds has occurred, the unit initiates a full scale investigation.

Investigations that document evidence of misfeasance, malfeasance or non-feasance are referred to the appropriate authorities for corrective action. If the evidence suggests criminal wrongdoing by local officials and/or employees, the evidence is turned over to the county attorney and/or Attorney General's Office for criminal prosecution. For other violations of law or improper management practices, the results of the investigation are turned over to the local officials so they may pursue disciplinary action and/or civil litigation to recover losses.

The ability of the Special Investigations unit to promote integrity in government is not limited to its ability to investigate allegations of wrongdoing by local government officials. By publicizing the outcome of its investigations, the unit serves as a deterrent for misappropriation of funds by other local officials.

- The Audit Operations unit promotes more accountable and cost-effective local governments. This unit conducts financial and legal compliance audits for 86 of the 87 Minnesota counties (The Office assumes responsibility for the audit of Hennepin County effective 1-1-93.), the cities of Duluth, Minneapolis and St. Paul, and other local governments throughout the state. In addition to auditing for evidence of misappropriated public dollars, the financial and legal compliance audits provide local governments with an independent analysis of the effectiveness of their organizations. The legal compliance component of the audits ascertains that all local government activities are being administered according to Minnesota law. As part of the Audit Operations activity, staff attorneys are available for local officials seeking clarification of various laws and regulations. The management letter that accompanies each audit provides suggestions for how local governments might improve the effectiveness and/or efficiency of their operations.

The Audit Operations unit has initiated improved customer services for our clients and will sponsor training opportunities for local government accounting staff. The Office established a Joint Task Force with the Association of Minnesota Counties (AMC) to address concerns of counties relative to the audit process. Issues that have already been addressed by the Task Force include: 1) improved communication with Minnesota counties relative to the broad range of services offered by the Office and the fees that are charged for those services; 2) concrete suggestions for how county staff can assist the audit process, with commensurate reductions in the cost of audit services; and 3) implementing a State Auditor training program to help county staff meet their training needs. The Audit Operation unit's increased emphasis on training

opportunities for client staff will become more critical as local governments begin to implement the significant accounting changes promulgated by the Government Accounting Standards Board (GASB). These new standards have the potential to fundamentally change the overall accounting practices of local governments.

BUDGET ISSUES:

The Office of the State Auditor is legally obligated to charge all local governments receiving routine audit services for the cost of those services. In F.Y. 1992, the entire General Fund appropriation for Audit Practices activity was funded by the revenues generated by local government audit fees. The Audit Practices activity request for F.Y. 1994-95 anticipates no increase in complement positions beyond the number budgeted for during F.Y. 1993. Funding for salary increases is essential to avoid staff and audit reductions.

EFFICIENCY MEASURES:

Efficiency measures for the Audit Practices activity are as follows:

Efficiency Measure	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Annual audit reports issued (1)	268	198	220	220
Special investigations conducted	11	18	20	22
Total amount of thefts, embezzlements, questionable expenditure expenditure and lost revenue identified through special investigations	\$396,000	\$800,000	\$1,000,000	\$1,000,000
Allegations of wrongdoing responded to through formal inquiry	65	120	140	140
Requests for legal information	80	120	120	120

- (1) Seventy-three of these audit reports were over one year old and a major effort was made to eliminate the backlog of audit reports.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

Type of Revenue	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Non-dedicated - General	\$5,570	\$6,264	\$6,022	\$6,022
Dedicated - General	2	2	2	2
Dedicated - Special	44	50	50	50
Total Revenue	\$5,616	\$6,316	\$6,074	\$6,074

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: AUDIT PRACTICE

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	4,395	4,856	5,366	5,224	5,604	5,048	5,224	5,819	5,048
EXPENSES/CONTRACTUAL SRVCS	208	228	404	354	354	354	354	354	354
MISC OPERATING EXPENSES	320	353	369	369	369	369	369	369	369
SUPPLIES/MATERIALS/PARTS	144	61	77	77	77	77	77	77	77
CAPITAL EQUIPMENT	256	29	100	50	50	50	50	50	50
SUBTOTAL STATE OPERATIONS	5,323	5,527	6,316	6,074	6,454	5,898	6,074	6,669	5,898
TOTAL EXPENDITURES	5,323	5,527	6,316	6,074	6,454	5,898	6,074	6,669	5,898
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES						<176>			<176>
(P) BACK OUT AGENCY PLAN						<380>			<595>
TOTAL GOV'S INITIATIVES						<556>			<771>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	5,277	5,481	6,264	6,022	6,402	5,846	6,022	6,617	5,846
STATUTORY APPROPRIATIONS:									
GENERAL		2	2	2	2	2	2	2	2
SPECIAL REVENUE	46	44	50	50	50	50	50	50	50
TOTAL FINANCING	5,323	5,527	6,316	6,074	6,454	5,898	6,074	6,669	5,898
POSITIONS BY FUND:									
GENERAL	105.5	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: AUDIT PRACTICE

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	105.5	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0

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1994-95 Biennial Budget

BUDGET ACTIVITY: Research and Information
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of

ACTIVITY DESCRIPTION:

This activity promotes financial accountability and cost-effective public services for Minnesota's local governments through the following functions:

- Research and analysis of local government financial and programmatic trends enables local government officials, state and local taxpayers and state policy makers to better understand the relative financial condition of all local governments. By conducting detailed analysis of local government spending patterns, the activity is able to highlight practices employed by various local governments that result in more cost-effective government services.
- This activity is able to collect uniform financial data from Minnesota's local governments and compile the information into a statewide database by prescribing accounting and financial reporting standards for Minnesota's counties, cities, townships and special service districts. The financial data collected from local governments is verified by using financial audits, Department of Revenue property tax data and historical data for each unit of government.
- This activity makes available statewide financial data relative to local government revenues, expenditures, indebtedness, tax capacity, and salaries and benefits. This information enables local officials and the general public to better assess the relative financial condition of their government. The data is also used extensively by state policy makers when determining appropriate local government aids and credits policies. The data is also provided to the U.S. Bureau of the Census for integration into a national local government financial database. Expenditures, revenues and bonded debt data on streets and highways is provided to the U.S. and Minnesota Departments of Transportation.
- The City and Town Accounting System (CTAS), a computer software program developed and maintained by the activity, is made available to local governments to help automate and improve many of their accounting functions.

BUDGET ISSUES:

The activity recovers most of its costs through various assessments to local governments. M.S. 477A.014, Subd. 4, authorizes the Commissioner of Revenue to deduct up to \$217,000 each year from the amount appropriated for the Local Government Trust Fund for the cost of services related to the government information function. Pursuant to Laws of Minnesota for 1991, Chapter 345, Article 1, Section 12, the State Auditor must recover \$100,000 per year from local governments for the Research and Analysis function of the activity. In order to avoid duplication of effort and to share the costs of gathering data, the cost of collecting highway expenditure data from local governments and reporting the statewide data to state and federal transportation officials is allocated to the Department of Transportation through an interagency agreement with them. Local governments that purchase the CTAS software package also pay fees to the General Fund (\$20,100 in F.Y. 1992). The activity projects it will recover approximately \$343,000 through these reimbursement mechanisms in F.Y. 1993.

The appropriation request for F.Y. 1994-95 anticipates no increase in complement positions beyond the number budgeted for during F.Y. 1993.

EFFICIENCY MEASURES:

The quantifiable efficiency measures for the Research and Analysis activity are as follows:

Efficiency Measure	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Research and analysis reports issued	2	6	10	12	12
Local government financial data reports issued	3	3	3	3	3
Local financial statements, audits and reporting forms reviewed	2,791	2,815	2,839	2,850	2,860
Financial report verification forms generated and mailed to cities and counties	942	943	942	942	942
Highway bonded debt forms reviewed	304	305	305	305	305
Local governments for which financial health statistics are generated and disseminated to local officials	278	277	278	278	278
Lobbying disclosure forms reviewed	1,328	1,224	1,240	1,245	1,250
Criminal forfeiture incident reports reviewed	0	0	1,500	1,200	1,200
Computer software systems written and maintained	12	11	12	12	12
Number of users of CTAS software	118	138	200	250	300

The overall efficiency and effectiveness of the Research and Information activity extends well beyond the quantifiable data. Other, less tangible, measures are the true determinants of the effectiveness of the activity. How many taxpayers used our data to question local officials about local spending and revenue decisions? How many local officials used our data as a basis for discussing the financial health of their government and establishing future fiscal policies? How many times were our research and analysis findings referenced in Truth In Taxation hearings that occurred throughout the state? These are the true measures of the effectiveness of the activity.

REVENUE:

This activity generates non-dedicated revenue through audit fees for research and analysis activities and CTAS user fees.

Type of Revenue	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Non-dedicated-General	\$ 20.8	\$ 116.0	\$ 113.0	\$ 113.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: RESEARCH & INFORMATION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	171	176	265	265	339	256	265	353	256
EXPENSES/CONTRACTUAL SRVCS	20	22	32	32	32	32	32	32	32
MISC OPERATING EXPENSES	8	11	13	13	13	13	13	13	13
SUPPLIES/MATERIALS/PARTS	5	6	7	7	7	7	7	7	7
CAPITAL EQUIPMENT	28	2	1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	232	217	318	318	392	309	318	406	309
TOTAL EXPENDITURES	232	217	318	318	392	309	318	406	309
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<9>			<9>
(P) BACK OUT AGENCY PLAN			GEN			<74>			<88>
TOTAL GOV'S INITIATIVES						<83>			<97>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	232	216	317	317	391	308	317	405	308
STATUTORY APPROPRIATIONS:									
GENERAL		1	1	1	1	1	1	1	1
TOTAL FINANCING	232	217	318	318	392	309	318	406	309
POSITIONS BY FUND:									
GENERAL	4.0	4.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
TOTAL POSITIONS	4.0	4.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5

1994-95 Biennial Budget

BUDGET ACTIVITY: Police/Fire Relief Oversight
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of

ACTIVITY DESCRIPTION:

The Police and Fire Relief Oversight activity monitors financial and actuarial reporting for police and fire relief associations to insure both a sound retirement for the members and compliance with Minnesota statutes.

The responsibilities of this activity are:

- Develop financial reporting systems for Police and Fire Relief Associations.
- Review annual financial and actuarial reports on operations including follow-up requests for information based on reviewing annual reports filed.
- Prepare an annual report to the Legislature on the general financial condition of the volunteer fire relief associations including a summarization of financial and benefit information as required by M.S. 6.72.
- Prepare an annual report to the Commissioner of Revenue certifying that the required annual reports, audit certifications and actuarial valuations have been filed with the State Auditor.
- Assist with the annual Office of State Auditor Public Pension Fund Conference designed to further educate associations on pension and retirement issues.
- Respond to questions from Volunteer Fire Association Trustees and members, and assist with the conduct of investigations into potential irregularities.
- Respond to requests for assistance from the Legislative Commission on Pensions and Retirement.

BUDGET ISSUES:

Expenditures for this activity are recovered through a deduction from the total police and fire aid otherwise payable to police and fire fighters' relief associations as provided for under M.S. 69.011 to 69.051.

EFFICIENCY MEASURES:

- Annually reviews and updates schedules used as reporting forms for all volunteer relief associations.
- Annually audits 716 police and fire association reporting forms, together with by-laws and actuarial reports as needed, and contacts are made with approximately 200 relief associations each year to obtain corrected, updated or additional data.

- On a semi-annual basis, prepares a report to the legislature including all statutory data and appropriate schedules which analyze relevant financial attributes.
- Prepares an annual report and monthly updates to the Commissioner of Revenue on the required audit certifications and actuarial valuations.
- Contacts all prior Pension Conference participants each year to encourage further education on pension issues.
- Furnishes legal opinions on written requests for assistance, prepares drafts for attorney general's opinion, and resolves approximately 100 calls annually for members.
- Provides technical assistance to the Legislative Commission on Pensions and Retirement as requested.

REVENUE: None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: POLICE/FIRE RELIEF OVERSIGHT

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	55	64	65	65	65	63	65	65	63
EXPENSES/CONTRACTUAL SRVCS	11	3	5	4	4	4	4	4	4
MISC OPERATING EXPENSES	4	2	3	3	3	3	3	3	3
CAPITAL EQUIPMENT	2								
SUBTOTAL STATE OPERATIONS	72	69	73	72	72	70	72	72	70
TOTAL EXPENDITURES	72	69	73	72	72	70	72	72	70
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<2>			<2>
TOTAL GOV'S INITIATIVES						<2>			<2>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	72	69	73	72	72	70	72	72	70
TOTAL FINANCING	72	69	73	72	72	70	72	72	70
POSITIONS BY FUND:									
GENERAL	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
TOTAL POSITIONS	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5

1994-95 Biennial Budget

BUDGET ACTIVITY: Single Audit
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of

ACTIVITY DESCRIPTION:

The Single Audit activity determines if single audit reports submitted by cities, counties, school districts, nonprofit agencies, Regional Development Commissions (RDC's), Housing Redevelopment Agencies (HRA's) and other agencies have complied with the reporting requirements of the Single Audit Act of 1984 and the federal Office of Management and Budget Circulars A-128 and A-133. Single audit reports of various agencies are reviewed annually to determine reporting compliance with the requirements of the Single Audit Act of 1984, Office of Management and Budget Circulars A-128 or A-133 and the American Institute of Certified Public Accountants, Audit and Accounting Guide, "Audits of State and Local Governmental Units".

The Office of the State Auditor issues a report on the findings of these reviews to the U.S. Department of Agriculture (federal cognizant agency for single audit), Minnesota Legislative Auditor, Minnesota Department of Finance and state agencies having federal funding. These findings include internal control, noncompliance and crosscutting issues, questioned costs, the amount of federal grants audited, and whether the report complies with the requirements of the Act, Circulars and Guide. Information from these single audit reports is used by state agencies as a means for resolving the audit findings.

BUDGET ISSUES:

Expenditures for this activity are recovered from agencies having federal funding through the statewide indirect cost process administratively by the Department of Finance.

EFFICIENCY MEASURES:

Single audit reports reviewed are:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Cities	115	120	120	120
Counties	87	87	87	87
HRA's	8	8	8	10
Indian Tribes	12	12	12	12
Libraries	19	19	19	19
Nonprofit Agencies	220	225	250	260
Other	40	40	45	45
RDC's	10	10	10	10
School/Educational Districts	<u>540</u>	<u>540</u>	<u>515</u>	<u>515</u>
Total	1,051	1,161	1,066	1,078

REVENUES: None

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: SINGLE AUDIT

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES		71	70	70	70	68	70	70	68
EXPENSES/CONTRACTUAL SRVCS	72	2	3	3	3	3	3	3	3
MISC OPERATING EXPENSES			2	2	2	2	2	2	2
SUPPLIES/MATERIALS/PARTS	1	2	2	2	2	2	2	2	2
CAPITAL EQUIPMENT	2	2							
SUBTOTAL STATE OPERATIONS	75	77	77	77	77	75	77	77	75
TOTAL EXPENDITURES	75	77	77	77	77	75	77	77	75
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<2>			<2>
TOTAL GOV'S INITIATIVES						<2>			<2>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	75	77	77	77	77	75	77	77	75
TOTAL FINANCING	75	77	77	77	77	75	77	77	75
POSITIONS BY FUND:									
GENERAL	.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
TOTAL POSITIONS	.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5

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1994-95 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: ATTORNEY GENERAL, OFFICE OF

PROGRAM

GOVERNMENT SERVICES

PAGE

E-398

PUBLIC AND HUMAN RESOURCES

E-406

LAW ENFORCEMENT

E-414

LEGAL POLICY AND ADMINISTRATION

E-421

BUSINESS REGULATION

E-426

SOLICITOR GENERAL

E-433

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(November 1992)

ATTORNEY GENERAL

LEGAL POLICY AND ADMINISTRATION

Cur. Pos. 35

	<u>S</u>	<u>A</u>
Executive Management	3	2
Policy & Communications	9	4
Administrative Services	17	0

GOVERNMENT SERVICES SECTION		
Cur. Pos.	87	
	<u>S</u>	<u>A</u>
Employment	2	4
Health	4	6
Licensing	6	9
Investigations	18	0
Public Finance	3	7
Public Safety	5	6
Transportation	4	9
Management	3	1

PUBLIC/HUMAN RESOURCES SECTION		
Cur. Pos.	87	
	<u>S</u>	<u>A</u>
Agriculture	1	3
Environ. Prot.	4	16
Human Svs.	7	15
Labor Law	6	8
Natural Res.	5	12
Public Util.	1	3
Management	5	1

LAW ENFORCEMENT SECTION		
Cur. Pos.	68	
	<u>S</u>	<u>A</u>
Antitrust	4	3
Consumer Enf.	6	6
Consumer Svs.	12	0
Criminal	6	8
Envir. Invest.	4	3
Medicaid Fraud	8	2
Management	5	1

SOLICITOR GENERAL SECTION		
Cur. Pos.	35	
	<u>S</u>	<u>A</u>
Civil Litigation	3	5
Const. Lit.	1	4
Corrections	2	4
Opinions	1	1
Tort Claims	4	6
Management	3	1

BUSINESS REGULATION SECTION		
Cur. Pos.	72	
	<u>S</u>	<u>A</u>
Charities	4	3
Commerce	5	7
Education	4	6
Gambling	1	3
Human Rights	2	4
Resident. Util.	4	3
Tax Lit.	4	9
Telecomm. & Energy	2	6
Management	4	1

S = Other Staff
A = Attorney

Office of the Attorney General
Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current</u> <u>F.Y. 1993</u>	<u>Requested</u> <u>for 6/30/95</u>
Legislative Complement:		
General Fund	338.0	338.0
Special Revenue	33.0	37.0
Environmental	3.0	3.0
Federal	10.0	10.0
LAC Approved:		
Federal	_____	_____
Total Permanent Positions	<u>384.0</u>	<u>388.0</u>
Other Complement (FTE)	22.0	22.0
TOTAL Positions	<u>407.0</u>	<u>411.0</u>
Employees on 6/30/92	390.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	336.0
Full-Time Temporary	15.0
Part-Time Unlimited	32.0
Part-Time Temporary	7.0
Part-Time Seasonal	_____
TOTAL	<u>390.0</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Attorney General, Office of

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$19,967	\$20,013	\$39,980
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$19,967	\$20,013	\$39,980
Inflation Increases	<u>540</u>	<u>1,007</u>	<u>1,547</u>
Agency Operations:			
Attrition	\$(408)	\$(738)	\$(1,146)
Across-the-board Non Personnel Expenses	<u>(132)</u>	<u>(269)</u>	<u>(401)</u>
TOTAL AGENCY PLAN	\$19,967	\$20,013	\$39,980
Governor's Initiatives			
Salary Planning Estimates	\$(568)	\$(568)	\$(1,136)
Miscellaneous Expense Reduction	<u>(998)</u>	<u>(1,001)</u>	<u>(1,999)</u>
Subtotal	<u>\$(1,566)</u>	<u>\$(1,569)</u>	<u>\$(3,135)</u>
GOVERNOR'S RECOMMENDATION	<u>\$18,401</u>	<u>\$18,444</u>	<u>\$36,845</u>

Brief Explanation of Agency's Overall Actions:

In order to absorb the expense of inflation in non-personnel costs, the Attorney General is recommending that each part of the budget absorb its share. As a result, each program will absorb whatever the inflation costs are for its travel, printing, supplies, etc. However, the reduction required to pay for the wage and salary increases will be made selectively to areas of the office that are best able to absorb the reduction. In some instances we expect the reductions to result in fewer staff to provide legal services. State agency clients and the public will experience slower responses to their requests, enforcement actions may have to be cut back and some services may be eliminated. In some cases we expect state agency clients to negotiate contracts to maintain the same or a reduced but basic level of service.

2. Impact on Staffing:

F.Y. 1994

F.Y. 1995

Positions left Vacant or Alternative Funding 8.0 14.0

3. Impact on Revenue Generation:

F.Y. 1994

F.Y. 1995

F.Y. 94-95

Reduced Billings \$300 \$300 \$600

4. Affected Statutes:

None.

5. Governor's Recommendation:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Attorney General will adhere to the same budget constraints and targeted funding levels as state government agencies. The Governor also recommends that proposed funding be reduced for revised salary planning estimates.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) 5% AGENCY REDUCTION	GEN	<998>	<1,001>	<1,999>			
(A) SALARY PLANNING ESTIMATES	GEN	<568>	<568>	<1,136>			
	SGS	<55>	<55>	<110>			
	ENV	<4>	<4>	<8>			
(P) BACK OUT PROMPT RESOLUTION OF COMPLAINTS	SGS	<388>	<388>	<776>			
(P) BACK OUT HEALTH CARE FRAUD PROSECUTIONS	GEN	<302>	<302>	<604>	<210>	<210>	<420>
(P) BACK OUT LEGAL SCES TO MERGED HIGHER ED BD	GEN	<332>	<332>	<664>			
TOTAL BY FUND	GEN	<2,200>	<2,203>	<4,403>	<210>	<210>	<420>
	SGS	<443>	<443>	<886>			
	ENV	<4>	<4>	<8>			
TOTAL INVESTMENT INITIATIVES		<2,647>	<2,650>	<5,297>	<210>	<210>	<420>

AGENCY: Attorney General, Office of

MISSION STATEMENT:

The mission of the Attorney General is to protect the interests of the citizens of Minnesota by enforcing laws enacted by the legislature, defending the state in all legal proceedings, assuring the legality of state government action, and proposing new laws to make Minnesota a better place to live and work.

More than 100 executive branch agencies, boards and commissions receive legal advice and representation from the staff of the Attorney General in 1 or more of the following major respects:

1. Day-to-day legal advice and opinions to state government involving statutory interpretation, potential liabilities, legal authority for proposed agency actions, federal law requirements and available alternative courses of action.
2. Representation of state government in all adversarial proceedings including lawsuits, rulemaking hearings, contested case hearings, rate hearings, disciplinary conferences, state and federal litigation, and collection activities.

By virtue of holding a statewide elective office, the Attorney General also acts as a statewide leader and is expected by the public to speak with authority and influence on major questions involving systems of law and justice. He participates in shaping the legislative agenda with legislative proposals on a wide range of issues, and implements programs in the areas of drug prevention, sexual violence and harassment prevention, environmental protection and consumer education.

The legislature and the judiciary also seek legal advice and representation from the Attorney General and staff.

The Attorney General provides substantial legal assistance to local officials such as county attorneys and sheriffs in their efforts to enforce the laws of this state.

MINNESOTA MILESTONES:

Many of the Milestones' themes depend directly upon the authority and participation of the Attorney General to reach the targets needed to maintain a healthy and prosperous state. The work of the Law Enforcement and the Public and Human Resources Programs and the Corrections Division of the Solicitor General Program support and complement the goals of the *Caring and Secure Community* themes. The goals of the *Our Surroundings* themes are directly related to the work of the Public and Human Resources Program. The *Prosperous People* theme receives support from most programs of the office, but, in particular, benefits from activities in the Business Regulation and Law Enforcement Programs. The Education Division in the Business Regulation Program is the legal resource for the state Department of Education, the State University System and the Community College System which are responsible for accomplishing the *Learning* vision. The Government Services and Solicitor General Programs provide legal services to many of the state agencies responsible for making state government more responsive and accountable for *We the People*. Finally, the Attorney General's policy and program development in consumer and senior

rights, prevention of chemical abuse and sexual violence, environmental protection and health care fraud, to name a few, will move the state toward beneficial milestone targets.

OUTCOMES AND BENCHMARKS:

The outcomes of comprehensive legal services are rarely a tangible product measurable in quantifiable terms. Public law practice is highly specialized and indispensable for the effective operation of "good government." Litigation may go on for many years requiring thousands of hours to protect a single constitutional principle or legislative decision. One consultation, at the right time, with a member of the Attorney General's staff may produce major policy or financial benefits for a client. The outcomes described in the program sections of the budget document attempt to describe some of these unique contributions of a law office.

Another way of evaluating the performance of the office is to compare it with the performance of other Attorney General Offices. The Minnesota Attorney General's Office is often used as a benchmark against which to evaluate other Attorney General Offices. The National Association of Attorneys General frequently refers other states to the staff of the Minnesota office when these states are seeking to improve their performance. The Chief Deputy has served on management review teams to assist other Attorney General offices, staff evaluation measures have been copied by other states, and members of the Minnesota staff have been leaders on multistate litigation teams in antitrust and consumer enforcement actions.

CLIMATE:

Staffing Options

The argument is sometimes made that the Minnesota Attorney General's Office has many attorneys and, therefore, should be able to take on additional work without adding new staff by simply reassigning existing staff. However, the services furnished by each of the office's 32 divisions are essential to the functioning of client programs and services. Therefore, a decision by the Attorney General's Office to reduce staff in 1 division usually requires that division to cut back on or stop performing services which, in the judgment of client agencies, must continue to be provided. Consequently, when faced with proposed cuts in these services, agencies typically will instead seek to continue the services by obtaining a delegation to hire an attorney on their own staff, the appointment of outside private legal counsel or an agreement with the Attorney General's Office to continue to perform the service with funding by the client. Thus, the net effect is rarely a state-wide saving of costs.

Funding Options

Within the appropriation to his office the Attorney General must weigh hundreds of demands received daily from legislators, citizens, agency clients, media and other units of government. Because the demand for legal services outstrips the Attorney General's directly appropriated budget, the office continues to rely on other sources to ensure that the actions taken by state officials and staff conform with the law and that the state is suitably represented in all the legal business of the state. The Attorney General has had to appoint outside counsel, delegate authority to agencies to perform certain legal services, and contract with clients for services that could not be provided otherwise. This patchwork of funding, delegations and agreements limits the flexibility of the Attorney General to direct staff and resources to top priorities. However, it maintains the Attorney

AGENCY: Attorney General, Office of
(Continuation)

General's authority and duty to represent the state as a whole and to assure fundamental fairness and consistent application of all relevant laws in the public interest (M.S. 8.01 and 8.06).

While decisions about the funding level of the Attorney General's Office are made in a single money committee in the Minnesota House and Senate, other committees are making program, enforcement or regulatory decisions that frequently expand a client's need for legal services. *MinnesotaCare* and the Pollution Control Agency's Air Quality program are 2 recent examples. Also, as described above, rarely does the loss of appropriated funds to the Attorney General's Office reduce a client's need for legal services. Budget cuts over the last 7 years have demonstrated this outcome over and over again as clients have chosen to contract for legal services to prevent negative outcomes of a reduced level of legal services. The Retirement Associations, the Department of Transportation and the Housing Finance Agency are some agencies that have made this choice.

PROSPECTS:

Although historical experience is somewhat helpful in anticipating future legal needs, what legal services will be needed is influenced by several unpredictable variables: financial resources available to client agencies, changes in agency enforcement patterns, pressures on the legal system, and the sometimes sudden onset of federal and state litigation or court decisions which initiate new litigation or appellate challenges. Following discussions with state agency clients, prior to developing this plan, it became clear that most agencies will have an equal or greater need for services from the Attorney General's Office in F.Y. 1994-95. The plan has taken this need into consideration and tried to make staffing changes that will have the least negative impact, but under this plan the office expects to depend more on state agency clients to fund services that this office does not have money to support, and to fall short of the demand for services. The affected client will have to decide if the services are sufficiently important to make funds available to continue the service.

AGENCY BUDGET PLAN:

The Attorney General considered the recommendation of the Department of Finance and the Governor that the base for F.Y. 1994-95 be set at 95 percent of the F.Y. 1993 budget, but, after reviewing the consequences, determined that a reduction of that level on top of the wage, salary and inflation increases that the office is expected to absorb would not be in the best interest of the state's legal affairs. This plan, therefore, is based on the same base level of funding for F.Y. 1993-94-95.

In order to absorb the expense of inflation in non-personnel costs, the Attorney General is recommending that each part of the budget absorb its share. As a result, each program will absorb whatever the inflation costs are for its travel, printing, supplies, etc. However, the reductions required to pay for the wage and salary increases will be made selectively to areas of the office that are best able to absorb the reduction. In some instances we expect the reductions to result in fewer staff to provide legal services. State agency clients and the public will experience slower responses to their requests, enforcement actions may have to be cut back and some services may be eliminated.

In some cases we expect state agency clients to negotiate contracts to maintain the same or a reduced but basic level of service. We have also proposed the following initiatives:

1. Prompt Resolution of Complaints Against Health Professionals - Special Revenue Fund.
2. Legal Services to Merged Higher Education Board - General Fund.
3. Health Care Fraud Prosecutions - General Fund.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Attorney General will adhere to the same budget constraints and targeted funding levels as state government agencies.

The Governor also recommends that proposed funding be reduced for revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL

PROGRAM RESOURCE ALLOCATION:	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
GOVERNMENT SERVICES	4,296	4,798	4,454	4,442	4,830	4,304	4,442	4,830	4,304
PUBLIC AND HUMAN RESOURCES	4,455	4,129	4,249	4,090	4,090	3,979	4,108	4,108	3,997
LAW ENFORCEMENT	4,157	4,726	4,799	4,897	5,199	4,785	4,918	5,220	4,806
LEGAL POLICY, COMMUNICATION AND AD	3,199	3,146	2,996	2,951	2,951	2,888	2,951	2,951	2,888
BUSINESS REGULATION	4,200	4,141	4,341	4,361	4,693	4,223	4,368	4,700	4,230
SOLICITOR GENERAL	1,617	1,729	2,173	2,138	2,138	2,073	2,138	2,138	2,073
GENERAL REDUCTION						<998>			<1,001>
TOTAL EXPENDITURES BY PROGRAM	21,924	22,669	23,012	22,879	23,901	21,254	22,925	23,947	21,297
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	20,027	19,543	20,074	19,967	20,601	18,401	20,013	20,647	18,444
STATE GOVT SPEC REV	1,028	1,405	1,442	1,421	1,809	1,366	1,421	1,809	1,366
ENVIRONMENTAL		114	124	119	119	115	119	119	115
STATUTORY APPROPRIATIONS:									
GENERAL		19	1	1	1	1	1	1	1
SPECIAL REVENUE	3	210	219	219	219	219	219	219	219
FEDERAL	777	815	727	727	727	727	727	727	727
AGENCY	53	494	345	345	345	345	345	345	345
GIFTS AND DEPOSITS	36	69	80	80	80	80	80	80	80
TOTAL FINANCING	21,924	22,669	23,012	22,879	23,901	21,254	22,925	23,947	21,297
POSITIONS BY FUND:									
GENERAL	317.5	347.5	338.0	338.0	338.0	338.0	338.0	338.0	338.0
STATE GOVT SPEC REV	18.0	28.0	33.0	37.0	37.0	37.0	37.0	37.0	37.0
FEDERAL	9.8	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
ENVIRONMENTAL	.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL POSITIONS	345.3	388.5	384.0	388.0	388.0	388.0	388.0	388.0	388.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: ATTORNEY GENERAL

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	23,012	23,012	20,075	20,075	2,210	2,210	727	727
TECHNICAL ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<115>	<115>	<115>	<115>				
APPROPRIATIONS CARRIED FWD	<281>	<281>	<255>	<255>	<26>	<26>		
DOCUMENTED RENT/LEASE INC/DEC	178	224	178	224				
INSURANCE PREMIUM HOLIDAY	70	70	70	70				
PLANT MANAGEMENT REBATES	15	15	15	15				
SUBTOTAL TECH. ADJ.	<133>	<87>	<107>	<61>	<26>	<26>		
CURRENT SPENDING	22,879	22,925	19,968	20,014	2,184	2,184	727	727
AGENCY BASE	22,879	22,925	19,968	20,014	2,184	2,184	727	727

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1994-95 Biennial Budget

PROGRAM: Government Services
AGENCY: Attorney General, Office of

PROGRAM PURPOSE:

The **Government Services Program** represents the agencies responsible for running the state in its capacity as landowner, employer, builder of roads and buildings, guardian of the public health and safety on our highways, and consumer of goods and materials. The program consists of 6 divisions: Employment Law, Health, Licensing, Public Finance, Public Safety, and Transportation.

- State government is the largest employer in Minnesota. As with any employer, the state must respond to myriad employment related issues. The **Employment Law Division** represents the Department of Employee Relations' Personnel and Labor Relations Bureaus, which act as employer to the state's more than 33,000 employees. The division defends against lawsuits initiated by former, current or would-be employees, and renders legal advice on a variety of topics such as affirmative action, health care, military leave, and personnel decisions, to DOER and other state agencies and boards. Division attorneys also represent the state in discrimination and civil rights actions brought by past and present employees.
- The growing incidence of AIDS, hepatitis and tuberculosis have become major concerns in Minnesota. The state's health care delivery system is world-renowned, and its public education efforts have received national recognition. The **Health Division** represents the Department of Health in protecting public health on all of these fronts, and more. The division enforces sanctions against nursing homes and other health care providers that violate licensure requirements, advises the agency on issues involving contagious or communicable diseases such as AIDS, food poisoning, etc. The division also provides lead counsel for the state's health care reform initiative, MinnesotaCare, assisting to coordinate the work of numerous state agencies involved in the program, defending the anticipated litigation over its operation, and providing legal expertise to this complex effort to change the health care industry. In addition, the division assists the Health Department in its public health education efforts, such as its effective anti-smoking campaigns.
- Minnesotans rely on members of the traditional professions, such as physicians, architects, accountants, nurses and therapists, to meet professional standards in their work. Unfortunately, to the detriment of both the public and those professions, sometimes those standards are not met. The **Licensing and Investigations Divisions** provide legal services to 18 of the state boards which license those professionals, including the Boards of Medical Practice, Dentistry, Nursing, Psychologists, Architecture and Engineering, and Social Work. The division investigates complaints made to the boards concerning incompetency, misconduct and inadequate or inappropriate care or services from licensed professionals. The division also provides legal services to the Boards, including legal advice as well as representation in contested case hearings in which a board action is challenged. Such efforts are necessary to ensure that individuals receive needed services from qualified providers, and to maintain the integrity of those professions.
- The **Public Finance Division** assists with the nuts and bolts of operating state government. It provides day-to-day representation to the accountants, landowners and purchasing agents for

the state in the Departments of Finance and Administration. Attorneys review thousands of contracts, draft hundreds of documents and respond to daily requests for advice. The division also advises a number of other state boards and agencies that deal with finance and contract matters, including the Department of Trade and Economic Development, the Housing Finance Agency, the Iron Range Resource and Rehabilitation Board, the Indian Affairs Council Business Loan Program, the Rural Finance Agency, the Export Finance Authority, the Amateur Sports Commission, the Public Facilities Authority, and the Agriculture and Economic Development Board. While this division's work in some ways may be less visible than others, it is also often involved in important state efforts, such as the Northwest Airlines funding package created in 1991 and other economic development initiatives undertaken by the state.

- In addition to its work protecting the public health, the Government Services Program also is actively involved in protecting the public safety, by keeping the highways safe from drunk drivers, assisting with drug policy initiatives, etc. The **Public Safety Division** counsels the Department of Public Safety on legal issues that arise in its conduct of a wide range of public protection activities. The division represents the work of the Department in all its programs, including the State Patrol, Fire Marshall, Bureau of Criminal Apprehension, Capitol Security, Office of Drug Policy, Peace Officers' Death Benefit Fund, Private Detective Board, Driver and Vehicle Services, Liquor Control and many other program areas. Attorneys represent the department in thousands of implied consent cases, civil overweight truck proceedings, criminal record expungement matters, and administrative hearings on private detective licenses, dealers' licenses, and crime victims' claims.
- Recently completed highway construction in both Duluth and the Twin Cities highlights the importance of an effective transportation system to the state's enterprise and to satisfying its citizens. The construction is possible at least in part because of the work of the **Transportation Division** in providing legal advice and representation to the Minnesota Department of Transportation (MnDOT). MnDOT's highway construction and hazard elimination program requires the acquisition of hundreds of parcels of land each year. Division attorneys represent MnDOT in hearings to determine the just compensation due a landowner when real estate is taken for highway purposes. They also advise MnDOT in its regulation of intrastate trucking activities, railroad commerce, and public airport operations. MnDOT receives advice on matters of prevailing wage law, state aid distribution, local land use zoning, landlord-tenant relationships, environmental law and a variety of other matters.

PROSPECTS:

During times of economic downturn, the need for legal services actually increases. This, coupled with society's continuing tendency to litigate matters, creates a greater need for legal assistance from the **Government Services Program**. For instance, the Government Services Program anticipates that a tighter state budget will require even more effective negotiation and astute drafting of contracts for the acquisition and financing of property and equipment. Many state agencies may look to lease purchasing rather than outright purchasing. Lease purchasing permits an agency's budget to be stretched further, but it involves more attorney time. When the economy is ailing, disappointed bidders and contractors are more apt to pursue bid disputes and file claims against the state. Defaults on revenue bonds are also anticipated to increase, which will require a significant commitment of attorney time to loan workouts.

1994-95 Biennial Budget

PROGRAM: Government Services
AGENCY: Attorney General, Office of
(Continuation)

The Health and Licensing Divisions also anticipate that litigation will continue to increase. The health care reform initiative has already produced a major legal challenge, and additional litigation is anticipated. In addition, the number and complexity of issues related to AIDS and other communicable or contagious diseases will continue to increase. As more consumers become aware of disciplinary actions by the licensing boards, the state receives increased numbers of complaints. Issues of competency and chemical dependency further complicate the licensing boards' cases.

The Government Services Program expects a general rise in the number of lawsuits. The aggressive construction and hazard elimination programs of MnDOT and its planned reconstruction of I-494 and I-35W, will require extensive legal services, perhaps doubling in F.Y. 1994-95 from F.Y. 1992-93.

The Employment Law Division is similarly affected by law changes that create a need for increased legal services. The trend the division has seen is one of growing numbers of complaints and lawsuits filed against the state as an employer. This is likely to increase as agencies face more lay-offs and reorganization. This trend makes the division's educational efforts even more important and places increasing demand on its time spent on litigation. Heightened awareness of sexual harassment and human rights adds significantly to this increase.

The Public Safety Division anticipates that the push for effective drunk driving enforcement will continue. The defense bar has become increasingly coordinated in its attacks on DWI arrests, resulting in burgeoning appeals, discovery and other legal challenges. Recent case law developments in the implied consent area also produce increased demands for legal services.

In summary, the prospect for increased demand from the Government Services program is certain. This is exacerbated by the fact that agencies turn increasingly to the Attorney General's office when their own staffing is reduced or when turn-over reduces the level of experienced staff in an agency.

MINNESOTA MILESTONES:

Minnesota Milestones identified a number of goals which are directly affected by the work of the Government Services Program. Some examples are listed below:

Goal: Minnesotans will be healthy.

The Health and Licensing Divisions' work is both preventative and prosecutorial. Work done by these divisions ensures that Minnesotans will have access to health care that meets basic standards, as well as programs designed to prevent future health problems.

Goal: Our communities will be safe, friendly and caring.

The Public Safety Division is successful in enforcing the state's drunk driving laws, which have produced demonstrably lower highway accidents and fatalities.

Goal: Rural areas, small cities and urban neighborhoods will be economically viable places for people to live and work.

The Transportation Division enables MnDOT to accomplish its objectives economically through land acquisition work that allows highways and transportation systems to operate efficiently and safely.

Goal: All Minnesotans will have decent, safe and affordable housing.

The Public Finance Division represents the Housing Finance Agency in its many projects designed to provide affordable housing for Minnesotans.

OUTCOMES:

Preventative Law

Some of the Government Services Program's most effective work is preventative in nature. Well-written and executed contracts produce less litigation and ensure the state receives the best product or service available, at a fair price and with a minimum of administrative problems. In F.Y. 1992-93, the Public Finance Division reviewed several thousand contracts and leases, involving hundreds of millions of dollars. Only 5 lawsuits over contract or lease issues were received during that period. Division staff also assisted the state in issuing \$383 million in general obligation bonds and \$460 million in revenue bonds. Such bonds are critical to economic development and housing initiatives for the state.

Similarly, in F.Y. 1992, the Employment Law Division provided 30 training seminars to state agencies and hundreds of their employees concerning state ethics, sexual harassment laws and implementation of ADA (Americans with Disabilities Act) requirements. Such training results in better employment practices, fewer lawsuits and assures compliance with state and federal law.

Another important example of preventative law is the work done in agency rulemaking. For example, the Health Division assisted with promulgating or revising over 20 rules required to implement statutorily established programs. By assisting agencies to clarify rule language and incorporate public input, future litigation and public frustration or disagreement are substantially reduced.

The importance of "front-end" legal work is also obvious in the context of developing Minnesota-Care, and related health care reform efforts.

Despite the critical importance of preventative legal practice, the Government Services Program is able to spend less and less time on such matters due to increased litigation demands.

Litigation

While some types of litigation produce more quantifiable results than preventative legal work, such measures do not necessarily reflect the real effectiveness of the work. For example, the Public Safety Division handled approximately 2,250 DWI implied consent (license revocation) hearings in F.Y. 1992, and prevailed in the vast majority of cases. The impact of this success is clear not only in the number of drivers licenses revoked, but also the reduction of highway deaths and injuries which are directly attributable to the division's work. Minnesota now has one of the leading records in the nation in the reduction of drunk driving. However, increasingly coordinated efforts by the

PROGRAM: Government Services
AGENCY: Attorney General, Office of
 (Continuation)

defense bar to defeat DWI arrests and consequences have caused the workload of the Public Safety Division to skyrocket. Legal challenges in the first 18 months of the current biennium have required systemic changes in the handling of implied consent cases around the state. The decision by the Minnesota Supreme Court in *Friedman v. Commissioner of Public Safety*, 473 N.W.2d 828, in 1991 requires that persons in an implied consent case have a constitutional right to counsel, albeit a limited one, prior to deciding whether to agree to chemical testing that would show the level of intoxication. *Friedman* inspired hundreds of additional appeals, with no decrease anticipated. Not only does this increase in appeals itself tax the resources of the division, but each new appellate decision requires additional advice and consultation with myriad law enforcement officials to address whether or how their practices must change.

The **Transportation Division** also is heavily litigation-oriented in its work. Because of the greater complexity of its cases, there is considerably less volume than in the Public Safety division. Nevertheless, in F.Y. 1992, the division handled 8 eminent domain jury trials and processed 225 parcels of property through the eminent domain hearing process. The division has been enormously successful, saving the state \$31.8 million in landowners' damage claims totaling over \$53 million. Moreover, timely and effective handling of these cases has allowed MnDOT's construction program to proceed without delay and to receive full federal financial participation, which is conditioned on the state's acquiring property at a reasonable price. As in other areas of government practice, however, the private bar practicing in the eminent domain area has become increasingly sophisticated in coordinating its challenges to established eminent domain principles. Litigation over land acquisitions for the I-394 corridor, as well as other initiatives, has raised new arguments concerning compensability of damages resulting from interference with business during highway construction, loss of visibility of businesses resulting from road construction, and proper computation of interest rates paid to landholders. Because of the novel new claims, the appellate work of the Transportation Division has mushroomed from previous years. Again, this trend is expected only to increase, regardless of the degree of success experienced by the division in defending against these challenges.

While the **Public Finance Division** typically is more involved in dealing with non-litigation matters, such as bond issuances and contracting issues, the division has been heavily occupied in 1991 and 1992 with litigation stemming from the Northwest Airlines, Inc. bond package authorized by the 1991 Legislature. The division was ultimately successful in defending the statute which requires the posting of a surety bond by plaintiffs challenging such a funding effort. In addition to the litigation, the Northwest Airlines deal has required extensive time in keeping necessary officials apprised of the progress of this highly visible case, negotiating with the multiple parties and other interested entities concerning related matters, and trying to keep abreast of the factors affecting the stability of the company itself.

Despite the preventative services provided by the **Employment Law Division**, the division must spend the bulk of its time defending against lawsuits brought against the state as an employer. The litigation in this area usually involves highly charged emotional issues which can protract litigation and require sensitive handling. In the past biennium, the division has seen a continuation of suits by claimants against public officials for exercising their official duties. For example, in one lengthy

case, a disappointed job applicant sued a public official for filing a statutorily mandated report of sexual harassment. Although the division was ultimately successful in defending the official's action, such cases are enormously time-consuming. Because of the personal issues generally involved, they are also often very difficult to resolve informally. In another case, the division successfully argued that public policy requires that government employees may be discharged when an action by an employee so violates public policy as to compromise the ability of the governmental employer to carry out its official duties. This is the first decision of its kind in Minnesota, and is currently pending before the appellate courts.

The **Licensing Division** is involved primarily in investigating, defending and prosecuting disciplinary actions taken by the state's licensing boards. Most frequently, these cases involve inappropriate contact with patients, outdated or inappropriate professional practices, such as over-prescribing of medications by physicians, chemical dependency, and increasingly, basic competency issues. In many cases, initial investigation of 1 complaint will generate multiple concerns about the professional's practices. In addition, the division's cases often dovetail with Medicaid fraud and other criminal prosecution issues, requiring additional coordination and communication with other governmental entities. In F.Y. 1992, the division prepared approximately 450 disciplinary conferences, in which a licensing board meets with the professional against whom a complaint has been lodged. The board then decides whether to proceed to contested case hearing. The conference often produces the desired result -- such as better professional practices -- even if the matter does not warrant formal discipline or require a hearing. The division represented the boards in the issuance of 350 stipulations and orders for disciplinary action.

Directly related to the boards' actual disciplinary proceedings are the investigations that precede conferencing and contested cases. The division received 368 complaints in F.Y. 1992, and completed 335 investigations. Because of the increasingly complex complaints received, often involving multiple issues, individual investigations are taking longer on average than in the past.

Health Division litigation spans administrative law proceedings as well as district court actions. In F.Y. 1992, the division handled 26 contested cases involving a variety of issues, including health facility licensing or assessment actions, protection of public or private water supplies and nurse aide abuse and neglect. The division also bore major responsibility for placing 3 health care facilities in receivership and closing a facility which could no longer provide care meeting minimal standards. Such actions often require both administrative and court proceedings, as well as extensive negotiations with parties, other governmental entities with related interests, creditors, residents' families, etc. The increased receivership activity directly reflects increased authority given to the agency by the Legislature in recent years. Receiverships require tremendous amounts of both agency and division resources, even when done voluntarily by the facility. The division also handles extensive litigation in other areas, all directly related to protecting the public health and safety of either specific individuals--such as in the case of nursing home licensure issues, or the general public--as in the case of food contamination or the spread of communicable diseases.

OBJECTIVES:

Certain objectives are shared amongst the divisions in the Government Services Program. These are to:

- Provide information to citizens regarding the laws, rules and procedural requirements for obtaining state services or assistance.
- Provide legal advice to client agencies to enable them to properly and efficiently fulfill their

1994-95 Biennial Budget

PROGRAM: Government Services
AGENCY: Attorney General, Office of
(Continuation)

statutory obligations.

- Assist in the development of rules to maximize clarity and prevent future legal disputes.

Specific division objectives include:

Employment Law Division

The objectives of the Employment Law Division are to:

- Assist the state as an employer to develop and maintain effective employment practices which meet the requirements of federal and state law.
- Defend the state and its employees against litigation challenging state employment practices.

Health Division

The objective of the Health Division is to provide legal services to the Department of Health to:

- Assure that the purpose of all regulatory efforts regarding the state's health care resources and systems is to provide health care and services in a manner that is safe and effective.
- Facilitate the Department's assistance to and oversight of the state's health delivery systems.
- Assist in the efficient and timely implementation of the state's health care reform program as provided for in the "HealthRight" legislation.

Licensing Division

This division's objectives are to:

- Protect the public by investigating complaints against licensed professionals.
- Assist the state's licensing boards in pursuing appropriate disciplinary sanctions against health and other professionals.

Public Finance Division

Specific objectives of the Public Finance Division are to:

- Maximize, through drafting and negotiating of contracts, the value and protections obtained by the state in areas such as specifications, quality assurance and warranties.

- Assist in the implementation of various public finance debt and lease purchase transactions which permit state agencies to stretch their budgets further.
- Assist in drafting of grant and loan provisions which maximize the protection to the state while enhancing the ability of the recipient to use money raised through issuance of public debt for such purposes as low-moderate income housing, waste water treatment and economic development loans to small businesses and communities.

Public Safety Division

The Public Safety Division's objectives are to:

- Remove drunk drivers from the highways of Minnesota through vigorous enforcement of the implied consent and license plate impoundment laws.
- Educate law enforcement agencies, prosecutors, judges and defense attorneys in the law surrounding D.W.I. arrests and implied consent license revocations.
- Defend the public's safety through enforcement of laws relating to motor vehicle dealers, liquor regulation, overweight trucks and other safety provisions.

Transportation Division

- To provide timely, efficient, and fiscally responsible legal services in the acquisition of real property through appropriate eminent domain procedures for the State of Minnesota's public works projects.
- To represent and advise the Commissioner of Transportation in public interest regulation and financial support of various modes of transportation including public transit, railroads, motor carriers, and aviation.
- To provide general public law services and legal advice to the Commissioner of Transportation to enable him to fulfill his statutory trunk highway responsibilities in conformance with the existing statutory, regulatory, and common law framework.

PROGRAM PLAN:

As resources have become increasingly limited, the Government Services Program has made changes in its operations and decreased the work it does for state agencies. If it is necessary to absorb further reductions, the program will take the following steps in order to assure that our highest priorities are met:

- We will appoint outside counsel to handle DWI implied consent drivers license revocation hearings outside the greater metropolitan area. We estimate that this will mean a transfer of approximately 450 hearings to other public or private attorneys.
- We will request MnDOT to directly fund 4 Transportation Division positions through the trunk highway fund, which already pays for the work (through the billing system) done in eminent domain proceedings.

1994-95 Biennial Budget

PROGRAM: Government Services
AGENCY: Attorney General, Office of
 (Continuation)

- We will request the Housing Finance Agency to directly fund an additional half of an attorney position for the work done for that agency.
- We will assign full costs of support for Licensing and Investigations Divisions to the Special Revenue Fund. An initiative to expand the Investigations and Licensing Division is being submitted as a separate document.
- We will delegate the contract review function to agencies to the full extent currently allowed by law. If the necessary statutory changes are made, we will discontinue reviewing contracts for form and execution.
- We will further decrease the legal advice we provide to agencies in the rulemaking process.
- We will cease providing training on the ADA and sexual harassment prevention to state agencies, the court system, etc.

REVENUE:

This program generates dedicated and non-dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Type:					
Non-dedicated-General	\$1,900	\$2,031	\$2,000	\$1,800	\$1,800
Dedicated-Special	<u>940</u>	<u>1,463</u>	<u>1,610</u>	<u>1,870</u>	<u>1,908</u>
Total Revenue	\$2,840	\$3,494	\$3,610	\$3,670	\$3,708

This program also saves millions of dollars in landowner damage claims each year.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Attorney General will adhere to the same budget constraints and targeted funding levels as state government agencies.

The Governor also recommends that proposed funding be reduced for revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: GOVERNMENT SERVICES
ACTIVITY: GOVERNMENT SERVICES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,573	4,152	3,750	3,761	4,053	3,623	3,761	4,053	3,623
EXPENSES/CONTRACTUAL SRVCS	229	534	537	514	514	514	514	514	514
MISC OPERATING EXPENSES	66	60	124	124	124	124	124	124	124
SUPPLIES/MATERIALS/PARTS	81	48	37	37	133	37	37	133	37
CAPITAL EQUIPMENT	347	4	6	6	6	6	6	6	6
SUBTOTAL STATE OPERATIONS	4,296	4,798	4,454	4,442	4,830	4,304	4,442	4,830	4,304
TOTAL EXPENDITURES	4,296	4,798	4,454	4,442	4,830	4,304	4,442	4,830	4,304
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<83>			<83>
(A) SALARY PLANNING ESTIMATES			SGS			<55>			<55>
(P) BACK OUT PROMPT RESOLUTION OF COMPLAINTS			SGS			<383>			<388>
TOTAL GOV'S INITIATIVES						<526>			<526>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,268	3,393	3,012	3,021	3,021	2,938	3,021	3,021	2,938
STATE GOVT SPEC REV	1,028	1,405	1,442	1,421	1,809	1,366	1,421	1,809	1,366
TOTAL FINANCING	4,296	4,798	4,454	4,442	4,830	4,304	4,442	4,830	4,304
POSITIONS BY FUND:									
GENERAL	55.3	56.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0
STATE GOVT SPEC REV	18.0	28.0	33.0	37.0	37.0	37.0	37.0	37.0	37.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: GOVERNMENT SERVICES
ACTIVITY: GOVERNMENT SERVICES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	73.3	84.0	87.0	91.0	91.0	91.0	91.0	91.0	91.0

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Attorney General, Office of
 PROGRAM: Government Services
 ACTIVITY:

ITEM TITLE: Prompt Resolution of Complaints Against Health Professionals

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
AGENCY REQUEST*				
Expenditures: (\$000s)				
State Gov. Special Revenue Fund	\$388	\$388	\$402	\$416
Revenues: (\$000s)				
State Gov. Special Revenue Fund	\$388	\$388	\$402	\$416
GOVERNOR'S RECOMMENDATION				
State Gov. Special Revenue Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Attorney General Office to present its budgetary needs directly to the legislature for consideration.

Request for funding of \$388,000 per year for proper resolution of complaints against health professionals.

The Attorney General's Office and the 12 Health Licensing Boards are required by statute and the public good to process and investigate promptly all complaints against health professionals licensed by these boards. If discipline is warranted, present and future patients may be harmed by the inability of a board to respond quickly with corrective action. If the complaint lacks foundation, the practitioner is harmed when his or her name is not cleared within a reasonable time. The backlog of complaints and investigations has not grown (353 cases pending on 12-1-90; 330 cases pending on 12-1-92) during the current biennium, but the backlog of investigations remains unacceptably high and many complaints are more than a year old. The boards' fees cover the cost of the appropriation from the special revenue fund.

PROGRAM OUTCOMES:

Adding staff is part of a 2-pronged attack on the backlog of complaints and investigations. Investigative and Licensing Division staff are also tightening standards used in the selection of complaints for investigation and the processes used during the investigation. By implementing these procedures and adding staff, complaints will be processed quicker, reducing by weeks or months the time required to complete an investigation and discipline or clear a licensee. Patients will be protected from licensees who abuse the privileges of licensure.

LONG-TERM IMPACT:

Knowledge that discipline will be swift may cause licensees to correct their behavior, to seek professional help themselves or to leave the profession voluntarily. Patients will have greater confidence in the protection afforded them by the licensure process. The prospects for Minnesotans to have the best possible chance for a healthy life (Milestone Goal) will improve.

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1994-95 Biennial Budget

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of

PROGRAM PURPOSE:

The **Public and Human Resources Program** provides critical legal services to assist state agencies in the effective administration of programs which protect Minnesota's most precious resources, its environment and its people. The program is responsible for deliberative, consistent enforcement of the laws, strong defense against legal challenges to the policies enacted by the Legislature and implemented by the agencies, assistance refining the rules and statutes which govern the programs, and aiding citizens confused by the legal requirements of these programs. In addition, we protect the state's interest in thousands of leases, contracts, grants, land transfers, acquisitions and easements each year.

- The **Agriculture Division** represents the Minnesota Department of Agriculture and the Board of Animal Health by giving advice and appearing in court and other forums in support of these principles: 1) promoting Minnesota agriculture, especially family farming and sustainable agriculture; 2) ensuring the safety of our food supply; and 3) protecting the environment and rectifying any environmental harm.
- The central objective of the **Environmental Protection Division (EPD)** is to protect public health and the natural environment from air, water and soil pollution. To that end, EPD counsels 3 state agencies—the Minnesota Pollution Control Agency (MPCA), the Office of Waste Management (OWM), and the Harmful Substance Compensation Board (HSCB)—on the development and implementation of environmental programs consistent with state and federal laws; pursues litigation and other enforcement actions necessary to assure compliance with these programs; seeks to recover natural resource damages and public costs for environmental harms caused by responsible parties; and defends state agency decisions against challenges in state and federal courts. In all of these actions, EPD emphasizes approaches that provide opportunity for public involvement in environmental decision making and, where possible, prevent costly and resource intensive litigation. EPD's working understanding of complex, interdependent environmental laws and programs—both federal and state—also enables its members to identify and pursue initiatives to establish or improve the effectiveness of environmental programs throughout the state.
- The **Human Services Division** represents the Minnesota Department of Human Services (DHS), the largest state agency. The myriad programs administered by DHS involve a complex maze of federal and state laws, with substantial county responsibility. The division initiates, defends or intervenes in legal actions in federal and state courts to protect the authority of the agency and the people it serves. For example, the division works with DHS to assure that: licensed programs for children and adults are safe and effective; that rate structures for nursing homes and for residential and day programming for persons with mental retardation are adequate and prudent; that state and federal law is correctly coordinated; that costs paid for care by Medical Assistance are recovered from responsible insurers, and that the regional treatment centers admit, treat and discharge persons in a manner within statutory and constitutional parameters. These complex issues involve a careful balancing of the public interest and private rights.
- The **Labor Law Division** provides legal representation for the Minnesota Department of Labor and Industry, (DOLI) including its OSHA Division, Labor Standards Division, Apprenticeship Division, Workers' Compensation Division, and Code and Inspection Services Division. The Labor Law Division also represents the Minnesota Special Compensation Fund, the National Guard and the Public Employee Retirement Association, Teacher's Retirement Association and Minnesota State Retirement System, the state's 3 largest pension funds. The division works with DOLI to assure every person in the State of Minnesota fair, safe and healthful working conditions through the aggressive enforcement of the Minnesota Occupational Safety and Health Act (OSHA) and Minnesota's Labor Standards laws, and to assure that the Special Compensation Fund expenditures are consistent with the statutory and regulatory framework. The division strives for effective utilization of DOLI's powers, development of legislation and regulations which further the department's and the legislature's objectives, the close adherence by the department to its responsibilities under state and federal laws and the vigorous defense of state statutes and regulations.
- The **Natural Resources Division** provides a full range of legal services to assist its client agencies in preserving and improving Minnesota's natural resources. The division provides general legal support to the Department of Natural Resources (DNR), the Board of Water and Soil Resources (BWSR), and other smaller state agencies. The division initiates legal action as necessary to enforce the DNR's authority and defends that authority against challenges in state and federal court. It handles the contract and grant drafting and review, rulemaking, and client advice necessary for management of the DNR's programs. It represents the State of Minnesota in litigation involving Indian law issues, counsels agency policy decision on Indian matters, advises state and local governments on Indian law questions, and represents the state archaeologist in matters related to Indian burial sites. In addition the division handles real estate transactions for the DNR, BWSR, and other state agencies. This includes acquisitions, land exchanges, conveyances, condemnations, easements, land and mineral leases, severed mineral forfeitures, adverse claims, boundary disputes, trespass actions, claims for natural resource damages, torrens proceedings, foreclosures, land sales, road system issues, zoning, land use planning, drainage, and Minnesota Environmental Rights Act claims.
- The **Public Utilities Division** provides all needed advice and litigation services to the Minnesota Transportation Regulation Board and the Minnesota Public Utilities Commission so that these 2 agencies can effectively carry out their missions: to ensure that Minnesotans receive safe, efficient and reasonably priced telephone, energy and transportation services. These agencies help assure that Minnesota will have a modern infrastructure of communication, energy and transportation of passengers and commodities for continued economic and social progress.

PROSPECTS:

The **Public and Human Resources Program's** greatest challenge is to continuously find effective ways to respond to the ever-increasing demand for services from the agencies it serves. These agencies have received large grants of new responsibility from the Legislature in recent years, and the available legal resources have not grown proportionately. In addition, the increased financial resources available to the Indian people of our state have been accompanied by an increased assertiveness of their historical rights. Our familiarity with issues of Indian sovereignty must grow accordingly, not only in the traditional areas of hunting and fishing, but also in environmental protection, human services and utilities regulation as well.

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of
(Continuation)

Agriculture Division

We anticipate a growing caseload from both the Agronomy Services and Food Inspection divisions of the Department of Agriculture. This reflects increased agricultural chemical enforcement and the agency's new administrative penalty authority for violations of food safety and health. Legal challenges to dairy pricing continues to consume considerable attorney time.

The department has also lost its in-house staff attorney, who had been doing an excellent job of managing the department's requests for legal services and heading off conflicts that could become legal disputes. We anticipate that this will increase the demand on our staff and strain our resources.

Environmental Protection Division

We expect continuing legislative support for state environmental programs. Congressional and executive actions at the federal level will continue to affect state environmental efforts.

For example, the 1990 amendments to the federal Clean Air Act are daunting and complex. The amendments require numerous state initiatives and impose mandatory sanctions on states that fail to act in time, and will require extensive legal assistance.

The public's demand for a cleaner and more healthful environment is growing. We continue to work with the MPCA to streamline both permitting and enforcement as the number of regulated pollution sources grows. This requires careful analysis of the scope of the agency's authority, the available options and strategies for achieving the statutory goals, and the most effective methods for enforcement. The division's knowledge of the legal system and environmental programs will continue to be in high demand in both the development and implementation of new initiatives and the continuing improvement of existing programs.

Human Services Division

Increased demand and decreased resources for the programs operated by the Department of Human Services (DHS) inevitably generates more legal work. Reform measures require careful scrutiny of prescriptive federal regulation. As an example, the division is currently defending three federal Boren Amendment lawsuits which challenge the adequacy of rates paid by the state to certain Medical Assistance (MA) providers and also challenge the process by which the rates are set. The cases require intensive time and money to litigate. In addition, DHS plans to introduce legislation which would significantly modify the long term care rate appeal process, with a likely increase in the number of appeals referred to the Attorney General. The expansion of the Children's Health Plan as part of MinnesotaCare will require substantial attention as rules are developed and the program is implemented.

The increase in persons committed to the state hospitals as psychopathic personalities, and anticipated large scale revisions of the service system for persons with developmental disabilities, will further strain our resources.

Labor Law Division

As anticipated, the increase in OSHA penalties enacted by the legislature in 1991 and an increase in the percentage of serious citations required by federal OSHA has substantially increased the number of contested cases our staff must handle. The Department of Labor and Industry (DOLI) projects that its demand for legal services will continue to grow with increased agency attention on the Workplace Accident and Injury Reduction Act (AWAIR), the Bloodborne Pathogen Standard, the Ergonomics Emphasis program and the Process Safety Management Standard. Because of the Ergonomics Emphasis program, we have already received several large complex ergonomics cases. We anticipate that DOLI will seek legislative approval for increased resources to litigate an ergonomics case in the meatpacking industry. Because of the novelty of OSHA enforcement of ergonomics standards, these cases are expensive and time-consuming. However, repetitive motion injuries are common in the workplace and have received little attention in the past.

Increased penalties for violations of Minnesota's labor standards laws are also under consideration and will inevitably increase the cases referred for litigation. Unless legislation is passed by Congress which exempts prevailing wage statutes from ERISA preemption, Minnesota's prevailing wage statute will continue to be the focus of substantial litigation.

The Special Compensation Fund plans to shift its focus to enforcement actions against uninsured employers and the pursuit of reimbursement for benefits paid injured employees against defaulting self-insured employers and their sureties. The former is the direct result of recent legislation giving the department new enforcement powers, and the latter is the result of a substantial increase in the number of large employers in Minnesota who have sought protection from financial obligations under federal bankruptcy law.

Finally, 1992 legislation in the workers' compensation area focused on cost containment, particularly managed care, standards of treatment, and fraud. The department has added additional staff for these responsibilities and has entered an extensive rule adoption process to meet its new responsibilities. Legislation in 1992 provided for automatic judgments and liens to facilitate money recoveries, and fines for failure to insure were increased several-fold. Likewise, the department obtained new collection and enforcement tools to use against employers that violate the state's mandatory workers' compensation insurance law and has also added staff to exploit these tools. These initiatives will increase the demand for our services.

Natural Resources Division

Like the other agencies represented by this section, the DNR anticipates increased demand for our legal services during the next biennium. In particular, we expect the following increases in workload:

1. Indian law disputes, including major treaty litigation;
2. Water law litigation, both permit hearings and "takings" actions following the U.S. Supreme Court decision in *Lucas v. South Carolina Coastal Commission*;

1994-95 Biennial Budget

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of
(Continuation)

3. Land acquisitions: The Legislative Commission on Minnesota Resources (LCMR) has requested \$8.4 million from the environmental trust fund (lottery proceeds) for land acquisitions, which would double DNR's normal acquisition budget. Likewise, BWSR will be stepping up wetland easement acquisitions, likely leading to a doubling of its acquisition work as well;
4. Severed minerals forfeitures: DNR plans to request at least 10 of these actions during each of the next 2 years, rather than its historic average of one per year.

Public Utilities Division

The workload of both the Transportation Regulation Board (TRB) and Public Utilities Commission (PUC) continues to grow and the client's demand for legal services also is growing at a commensurate rate. The agencies are both quasi-judicial independent regulatory agencies whose workload is essentially externally driven by the regulated industries' filings. Other outside forces that affect the agencies are technological changes, economic trends, and changes in state and federal regulatory policies and laws. The current recession increases the workload in that the regulated entities often are required to come in for rate increases because of declining revenues. Decreased regulation has ironically created more work for regulators and their attorneys because there are more market entrants and new issues presented, including bankruptcies, unfair competition claims, and greater variation among the companies.

OUTCOMES:

The section plays a key role assisting state agencies in the effective administration of the programs they administer. The members of the section are justifiably proud of the role they play providing necessary legal services to the client agencies and in furtherance of statutes enacted by the Legislature. Thus the outcomes are measured in the following ways:

Client Satisfaction. Our staff works closely with the state agencies to get regular feedback and continuously improve our service. For example, we continually evaluate whether the state's interests were well-represented in litigation. Were agency staff satisfied with the quality of the written and oral advocacy? Were enforcement actions prioritized in a manner which clarified the agency's authority? Were transactions such as land acquisitions, leases, permits, and contract negotiations managed in a manner which protects the state, anticipates potential disputes and creatively resolves them?

Success of Programs Administered by the State Agencies. Legal analysis is frequently essential to the development and implementation of programs administered by the state agencies. Not only is it necessary to construe the state statutes, but we must do so in a manner consistent with federal law and courts' construction, and analyze the facts presented and the strengths of options available for implementation. Frequently this involves working with agencies to evaluate proposals made by regulated industries to assure conformity with applicable law.

Legislation. Because of our close association with the laws affecting the state agencies, we are frequently called upon to help identify areas of needed change in the law, at both the state and federal level, and to assist in the development and drafting of proposed initiatives or amendments.

Successful Litigation. One of the key responsibilities of the Attorney General is to effectively represent the state in litigation. We place great emphasis on this role and have been consistently successful. We have provided strong defense to constitutional challenges, and to challenges of agency powers and actions. We have aggressively pursued recovery of state funds. In addition, we have vigorously defended legislative policy choices enacted into statute, and pursued enforcement actions to develop the scope of the agencies' authority.

Citizen Assistance. Each year our staff receives hundreds of calls and letters from individuals and businesses with questions about their rights or complaints about what they perceive to be infringement of those rights. Although we are careful to point out that we cannot advise individuals about their legal rights, we are often able to point them to provisions of the law, agency staff, or community resources which may be of assistance. Our goal is to provide accurate, succinct, prompt assistance rather than reinforcing the public perception that government is impenetrable and unresponsive.

Some examples are illustrative:

Agriculture

1. Recovery of several hundred thousand dollars in clean-up costs for the Department of Agriculture and Pollution Control Agency.
2. Recovery of surety bond proceeds for farmers and others entitled to protection against grain elevator defaults.
3. Challenge to aspects of the federal milk marketing order system which unfairly discriminates against Minnesota dairy producers.

Environmental Protection Division

1. Negotiations with Boise Cascade to substantially reduce conventional and toxic pollutants entering the Rainy River will lead to \$7-10 million of remedial programs to be implemented by the company.
2. We have assisted the MPCA with its response to the Legislature's increased emphasis on clean-up and regulation of solid waste and ground water contamination. We have successfully negotiated the closure of several county-owned landfills, analyzed the intertwined federal and state laws and presented the evidence and legal arguments necessary to promulgate incinerator ash management rules.
3. We recovered over \$500,000 of costs incurred by the MPCA before Browning-Ferris withdrew its request to expand the Flying Cloud landfill, after 60 days of hearing.
4. Our staff aggressively pursued responsible parties to recover costs for environment cleanup. We have successfully convinced courts in Minnesota and other states to require bankrupt companies to complete environmental cleanups before dissolution will be approved.

1994-95 Biennial Budget

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of
(Continuation)

5. We successfully expanded the scope of personal responsibility of corporate officers for environmental violations and clean-up costs.
6. We are representing Minnesota and 18 other states to protect the constitutionality of local designation ordinances which are necessary for local governments to appropriately plan and finance solid waste reuse, recycling and composting.
7. We worked closely with agency and legislative staff to develop the Land Recycling Act enacted in 1992 to encourage redevelopment and cleanup of contaminated commercial property. This has spurred economic developments such as the First Banks Data Center and Midway Marketplace in St. Paul and the Park Nicollet Clinic expansion project in St. Louis Park.

Human Services Division

1. Complex multi-million dollar computer contracts were negotiated for the Department of Human Services to develop statewide coordinated assistance payments, and effective monitoring and timely processing of Medical Assistance payments to providers. The Departments of Finance and Administration are benefiting from our staff's expertise in the development of specifications and requests for proposals for the new statewide accounting system and more effective control of the procurement process.
2. Assistance with the development and implementation of the receivership statute for residential facilities serving persons with mental retardation (ICF/Mrs) has assured a stable, effective process for handling the finances, personnel issues, and care of residents of facilities in crisis.
3. Months of negotiations resolved several major legal issues which generated hundreds of long term care rate appeals and laid the groundwork for improved relations with providers.
4. Successful litigation preserved the authority of DHS to assess parental fees for Medical Assistance provided to children in their homes.
5. Successful litigation clarified an expansive interpretation of the DHS's field audit authority which will increase collection of Medical Assistance overpayments from providers.
6. Successful defense preserved the constitutionality of the state psychopathic personality commitment statute which assures that repeated, serious sex offenders can be detained for treatment until they can be safely released. Further appeal is pending in the Minnesota Supreme Court.

Labor Law Division

1. Aggressive pursuit of penalties against employers who violated standards which resulted in 8 employee fatalities, as well as dozens of less dramatic OSHA violations or retaliation cases.

Our staff is also working with the Department of Labor and Industry (DOLI) to develop criminal penalty legislation aimed at persons who knowingly perpetuate dangerous working conditions likely to cause death or serious injury.

2. In conjunction with DOLI, our staff streamlined the OSHA contested case procedure through amendment of the applicable statutes and agency rules, eliminating the backlog of cases. More rapid processing is also reducing the number of appeals filed by employers solely to delay payment of penalties. Additional changes are planned to speed up the collection of money judgments.
3. We have increased enforcement actions against employers who fail to obtain workers-compensation coverage for their employees and pursue reimbursement for claims paid in behalf of self-insured employers and their sureties. These include claims for \$30 million pending against LTV and \$5 million pending against Amudra, both currently in bankruptcy.

Natural Resources Division

1. Our staff reviewed 2,300 contracts involving over \$49 million in state funds for the Department of Natural Resources (DNR).
2. Over \$300,000 in state funds was recovered for the DNR, including contract, construction, water regulation, and land use disputes, accidental fish kills, unpaid timber permits, and firefighting costs.
3. The Wetlands Heritage Advisory Council, DNR, and Board of Water and Soil Resources were assisted in the development of rules to implement the 1991 Wetlands Protection legislation.
4. Substantial effort was needed to overhaul the DNR commissioner's game and fish orders, and promulgate 75 new orders.
5. We reviewed 500 DNR permits selling state timber valued at over \$5,176,000; 700 Agriculture Department and Board of Water and Soil Resources (BWSR) grants, valued at \$11,879,000; 500 State Arts Board contracts and grants valued at over \$10,061,000; and drafted and reviewed more than 2,700 state lease documents.
6. Our real estate expertise was essential to complete state/private exchanges of 28,700 acres of land with a value totalling over \$4,512,000; sale of 396 state lakeshore lots for \$4,039,000 and 18 other parcels totalling 305 acres for \$268,000; receipt of 6,700 acres of land as gifts to the state and the conveyance of 5,200 acres as part of the White Earth claims settlement.
7. Real estate expertise was also needed to establish 25 new scientific and natural areas; and to acquire 370 easements worth \$5,495,000 under the Reinvest in Minnesota (RIM) program.
8. We assisted in the conduct of 3 mineral lease auctions, the renegotiation of current mineral leases with the major steel companies, and the execution of new peatland leases; and initiated court proceedings to recover for the state 13,303 acres of severed mineral interests for which taxes had not been paid.

1994-95 Biennial Budget

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of
(Continuation)

9. We successfully defended the state through both the district and appellate courts of 2 major Indian lawsuits: one an action to regain property, and each one claiming in excess of \$100,000,000 in damages.
10. Intensive preparation was needed for negotiation and trial of the Mille Lacs Band of Chippewa's claim for hunting and fishing rights in territory ceded under an 1837 treaty.

Public Utilities Division

1. In part because of effective legal representation of the Public Utilities Commission and the Transportation Regulation Board, a low percentage of these agencies' orders have been challenged. In the last biennium, 10 orders were appealed to the Court of Appeals; 9 orders were affirmed.

MINNESOTA MILESTONES:

As illustrated by these examples, the section's legal staff has substantially assisted the State of Minnesota to meet many of its long-term goals.

1. Reduce long-term dependence on public assistance.
2. Increase child support collections.
3. Cleanup superfund and petroleum release sites.
4. Reduce air pollution.
5. Control point source discharge of agricultural chemicals.
6. Increase fishable and swimmable lake acres and river miles.
7. Reduce and properly manage hazardous waste.
8. Assure no net loss of wetland, forest land, wilderness and natural resource-managed acreage.
9. Improve public access to the lakes, rivers, and recreational trails.
10. Strive for regularly scheduled public transportation to cities over 50,000.
11. Increase access to telecommunications capable of carrying 2.4 gigabits per second.

OBJECTIVES:

We strive to improve the regulatory programs administered by the state agencies we represent, to continuously assess, refine and improve our enforcement efforts, encourage the development of clearer legal standards, and increase public awareness and involvement with the important issues which affect our natural and human resources. We will continue to work with legislators, agency staff, regulated individuals and companies, other states, the federal government, the court system and members of the bar in pursuit of these goals.

Many of our specific objectives for the next biennium will depend upon the new initiatives and allocation of funds enacted in this legislative session. However, we will adhere to three key principles in focusing our efforts.

1. To remain in close contact with the agencies and our other constituencies in order to assure that our efforts further their priorities.
2. To retain the strong, independent role of the Attorney General as legal counsel for the agencies.
3. To continually look for ways to improve our effectiveness in order to absorb our ever-increasing workload.

More specifically, we have the following objectives:

1. Streamline and coordinate the use of administrative penalties by the Department of Agriculture, Pollution Control Agency (PCA), Department of Health and Department of Natural Resources.
2. Identify state laws or rules which require amendment to remain consistent with changing federal requirements, particularly for the MPCA and Department of Human Services. For example, our staff has been closely analyzing the 1990 Clean Air Act and options for implementation in Minnesota require close legal analysis. This includes regulation of urban air pollution, vehicle emissions, air toxics, emissions from solid waste incinerators, and acid deposition. The federal act will result in over 120 sets of new federal regulations to be analyzed and corresponding changes to Minnesota's statutes and rules must be developed which are clear, enforceable, and acceptable to the federal government. At the same time, enforcement efforts must be continued.
3. Successfully resolve disputes with Minnesota's Indian people concerning the 1837, 1854 and 1855 Treaties.
4. Continue to identify weaknesses in agency permit, license and enforcement efforts and work with agency staff and others to correct these.
5. Continue to focus on the clean-up and cost recovery of polluted sites.
6. Successfully defend state dairy regulations against constitutional attack and secure reform of the federal milk marketing system.
7. More effectively allocate resources to citizen letters and calls, so that citizens receive a prompt response with minimum disruption of other work.
8. Work with the Department of Human Services and legislators to develop a strong defense to challenges against the Medical Assistance rate methodologies.
9. Reduce the backlog of long term care rate appeals.
10. Assist in the successful implementation of the Minnesota Family Investment Plan (MFIP) and MinnesotaCare.
11. Increase recovery of Medical Assistance overpayments.
12. Continue to improve the process of handling real estate acquisitions, transfers, leases, sales and easements in order to absorb an increasing workload.

1994-95 Biennial Budget

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of
 (Continuation)

PROGRAM PLAN:

Because the agencies we serve routinely request more assistance than we can deliver, any plan for the next biennium must be built on the principles above. However, we intend to take the following specific steps in order to assure that our highest priorities are met.

1. We will propose legislative changes to sharply curtail our form and execution review of contracts, grants, leases, timber permits and delegation orders for all agencies.
2. We will retain outside counsel to conduct neuroleptic medication hearings for mentally ill patients committed to regional treatment centers. We handled 300 hearings last year.
3. We will enter agreements with the Public Employees Retirement Association (PERA), Teachers Retirement Association (TRA) and the Minnesota Supplemental Retirement Association (MSRS) for funding to meet their increased demand for legal assistance.
4. We will attempt to assure that increased appropriations for real estate acquisitions, transfers, sales and easements include funding for the necessary legal work.
5. The Public Utilities Commission has requested funding for two new positions for our staff to assist them with proposed initiatives on stray voltage and intervention in federal regulatory proceedings to protect our state's interests.
6. We will continue to experiment with team-based management in the Labor Division in order to determine if it furthers our organizational goals, increases morale and productivity.
7. We will continue to resolve disputes at the earliest opportunity consistent with zealous representation of the state's interests.

REVENUE:

This program generates dedicated and non-dedicated revenue.

Type:	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Non-dedicated - General	\$1,300	\$1,425	\$1,425	\$1,500	\$1,500
Non-dedicated - Federal	<u>25</u>	<u>77</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$1,325	\$1,502	\$1,425	\$1,500	\$1,500

This program assists clients in the imposition of civil fines and penalties and obtaining restitution and recovery of costs for enforcement and cleanup actions taken on behalf of state agency clients. Costs of legal services to the Public Utilities Commission are assessed to the regulated industries by the commission. The revenue is reported in the clients' programs.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Attorney General will adhere to the same budget constraints and targeted funding levels as state government agencies.

The Governor also recommends that proposed funding be reduced for revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: PUBLIC AND HUMAN RESOURCES
ACTIVITY: PUBLIC AND HUMAN RESOURCES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,713	3,537	3,630	3,445	3,445	3,334	3,445	3,445	3,334
EXPENSES/CONTRACTUAL SRVCS	310	448	413	439	439	439	457	457	457
MISC OPERATING EXPENSES	83	34	110	110	110	110	110	110	110
SUPPLIES/MATERIALS/PARTS	38	45	31	31	31	31	31	31	31
CAPITAL EQUIPMENT	59	59	65	65	65	65	65	65	65
OTHER		6							
SUBTOTAL STATE OPERATIONS	4,203	4,129	4,249	4,090	4,090	3,979	4,108	4,108	3,997
LOCAL ASSISTANCE	252								
TOTAL EXPENDITURES	4,455	4,129	4,249	4,090	4,090	3,979	4,108	4,108	3,997
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES									
GEN									
						<111>			<111>
TOTAL GOV'S INITIATIVES						<111>			<111>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,430	3,874	4,071	3,912	3,912	3,801	3,930	3,930	3,819
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		178	178	178	178	178	178	178	178
FEDERAL	25	77							
TOTAL FINANCING	4,455	4,129	4,249	4,090	4,090	3,979	4,108	4,108	3,997

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: PUBLIC AND HUMAN RESOURCES
ACTIVITY: PUBLIC AND HUMAN RESOURCES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
POSITIONS BY FUND:									

GENERAL	73.2	87.0	87.0	87.0	87.0	87.0	87.0	87.0	87.0
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	73.2	87.0	87.0	87.0	87.0	87.0	87.0	87.0	87.0

1994-95 Biennial Budget

PROGRAM: Law Enforcement
AGENCY: Attorney General, Office of

PROGRAM PURPOSE:

The Attorney General protects Minnesota's people, property, environment, and the integrity of the state's commerce through a multi-disciplinary, proactive Law Enforcement Program.

1. PROTECTING THE MINNESOTA MARKETPLACE

Consumer confidence in the essential fairness and integrity of business practices in Minnesota is critical to a healthy economy. The Law Enforcement Divisions work to assure that confidence by enforcing a variety of laws against unfair or dishonest business practices.

- The **Consumer Division** protects consumers against false telemarketing scams and advertising, "bait-and-switch" sales practices, pyramid schemes, home repair fraud, product safety hazards, fraudulent investment schemes, door-to-door sales frauds, auto repair scams, and a litany of other consumer frauds. The division's mediation unit receives over 100,000 telephone calls and 12,000 written complaints annually. Individual consumer complaints are mediated and settlement is attempted for all written complaints.
- The **Antitrust Division** promotes free and open competition by investigating and prosecuting antitrust offenses having an economic effect on the economy of Minnesota. The division conducts all antitrust litigation on behalf of the state. The division goes to court to recover damages suffered by the state and its citizens as victims of antitrust violations. Such damage litigation often takes the division into other venues to aggressively pursue claims on behalf of the state. In addition to its litigation responsibilities, the division advocates competition within the free market system by participating as amicus curiae, usually in the federal courts of appeal and supreme court, by advocating the public interest before federal antitrust agencies and by advising state agencies and local governments as to the proper interpretations of the antitrust laws.
- The **Medicaid Fraud Division's** primary mission is to prosecute providers who fraudulently overbill the state's Medical Assistance program. The deterrent value of the prosecutions, and the division's aggressive recoupment of stolen money, are critical components of the state's overall efforts to contain health care costs.

2. PROTECTING PEOPLE AND PROPERTY FOR A SECURE COMMUNITY

- Through the **Criminal Division** the Attorney General carries out his statutory duty to "appear for the state in all cases in the supreme and federal courts wherein the state is directly interested." M.S. 8.01. The Criminal Division handles felony appeals for Minnesota counties, except the 6 largest counties, which are able to and have agreed to handle their own appeals. This caseload represents approximately one-third of all the serious crime appeals in the state.

The division also has an increasingly active trial load. The Attorney General's duty to prosecute cases at the request of county attorneys is the most significant source of trials. Virtually all the cases the division tries are serious felonies, with major homicides and sexual

abuse cases the principal subjects of county attorney referrals. Under a federal grant, division attorneys also prosecute in cases against mid- to upper-level drug dealers. The division also handles a growing number of cases arising out of Minnesota's gambling activities.

- The recently formed **Environmental Investigations Division** reflects growing emphasis on criminal prosecution of the most serious environmental law violations, especially the unlawful disposal of hazardous waste. The division gets most of its cases from an interagency team formed specifically to investigate and prioritize environmental crimes. The group includes representatives of the Pollution Control Agency and the Departments of Natural Resources, Agriculture, and Transportation. The division also works closely with federal enforcement authorities and Minnesota county attorneys in this critical effort to protect the health and welfare of Minnesotans and their natural environment.

PROSPECTS:

Public demand for all kinds of law enforcement continues to grow. Because its laws can be applied to false advertising and fraudulent business practices which touch huge numbers of Minnesotans each day, that demand falls most heavily on the **Consumer Division**. In the best of times the Division has had to decline some enforcement opportunities; now, however, more and more questionable business practices go unchallenged for lack of enforcement resources. Because of budget cuts during the 1992 session, the division lost 1.5 legal assistant and .5 attorney positions. While its productivity remains outstanding, the division has passed the point of being able to do more with less. During F.Y. 1992 the division cut back on its regulation of club contracts under M. S. 325G.23-.26, and plans to seek legislative changes to relieve it of all administrative (as opposed to enforcement) duties in this area as well those imposed by M.S. 325G.29-.37, the Plain Language Contract Act.

The number of complaints received and handled by the consumer mediation unit continues to be a barometer of public demand for consumer enforcement. The number of written consumer complaints per year rose steadily over the past decade to 12,663 in F.Y. 1992.

Two trends fuel the demand for increased consumer enforcement. The first is an explosion in fraudulent telemarketing and sweepstakes promotions. The division now receives more complaints about these activities than it does about used cars, and while it has filed some important lawsuits (e.g. *State v. Allied Marketing Group*; *State v. Opportunities Unlimited*), the number of scams far exceeds the capacity to investigate them.

The second trend is the pervasive public concern over health care cost containment. The division now has more open health care-related files than ever. Subjects under investigation in the Consumer Division range from false health claims in food advertising to insufficient disclosures in direct-to-consumer prescription drug advertising to outright quackery. Developing these investigations will be a challenge and a priority over the coming years.

Despite losing .5 attorney position in F.Y. 1992, the **Antitrust Division** has taken center stage in the struggle to contain health care costs. The cost containment benefit of managed care programs is now virtually undisputed, and during the last 2 years the Antitrust Division took significant actions to break up entrenched provider cartels and open outstate markets to private and public managed care. (*State v. Mid-Minnesota Associated Physicians*; *State v. Central Minnesota Health Care Alliance*) The division also led a national class action attacking a tying arrangement which drove up the cost of a new prescription drug. (*State v. Sandoz Pharmaceuticals*)

1994-95 Biennial Budget

PROGRAM: Law Enforcement
AGENCY: Attorney General, Office of
(Continuation)

In response to pleas from the health care industry the division has also assumed an important educational role, working with providers and helping them avoid antitrust problems. Such "business review" functions, however, normally require significant research and analysis, and the demand for business reviews may soon exceed the attorney time available to provide them. Meanwhile, the changes in the state's health care industry require constant vigilance to ensure that private parties do not conspire to frustrate efforts to contain costs and increase access to health care at the same time that the division remains available to do the anticipated variety of cases which arise in other industries.

As demonstrated by the *Sandoz Pharmaceuticals* case, the **Antitrust Division** generates revenue by recovering overcharges to the state resulting from price fixing or other restraints of trade.

The continuing war on crime is certainly 1 of the highest public priorities. The expertise of the **Criminal Division** and the continuing turnover in county attorney offices, especially in Greater Minnesota, will continue to generate more referrals than the division can handle. Apart from its appellate load, the division currently has 4 priority areas of criminal enforcement. The first is serious crimes against persons, especially the homicides and sex abuse cases, which continue to form the core of referrals from county attorneys.

The second priority area is drug prosecutions and related crimes such as money laundering and racketeering which support the illegal drug trade. In F.Y. 1992 the division shifted its drug prosecution efforts from street- to mid-level dealers, and now only prosecutes cases carrying a presumptive prison sentence. However, such cases can be complex and will certainly place additional demands on investigative and prosecution resources.

Third, the vast increase in gambling activity over the past 2 years has spawned an increase in gambling related crimes. The 1 attorney available to do full time gambling prosecutions now has a docket of over twenty active cases, and there is every indication from the sheer volume of activity in Minnesota that the docket will lengthen.

Fourth, the **Criminal Division** has long been the referral of last resort for a variety of complex white collar crimes which county attorneys find it impossible to handle. The volume of referrals from county attorneys and other agencies such as the state Commerce Department is now such that the division does not take cases involving less than \$50,000.

The **Environmental Investigations Division** expects increased caseloads. Much of the division's effort to date in training, and in coordinating efforts with county attorneys, the "E-Team," the Criminal Case Development Committee, the Environmental Protection Agency, and the United States Attorney's Office, has been in the nature of an investment. Forming networks and developing efficient mechanisms for developing criminal cases will lead to more referrals in the future.

An area which the **Law Enforcement Program** would like to develop in the future is that of general health care fraud, such as billing and insurance fraud. From contacts with the health care and insurance industries, and from our experience in the Medicaid Fraud Division, it is clear that

enforcement opportunities exist to prosecute those who increase health care costs by stealing from the system. Those opportunities exist in connection with private insurance and with Medicare (as opposed to Medicaid) fraud. Neither can now be prosecuted by the Medicaid Fraud Division under the terms of its federal grant unless theft from Medicaid is also present in the individual case. In addition, the sought-for passage of a criminal "fraud and abuse" statute similar to the federal model would require additional investigative and prosecutorial capacity.

The **Medicaid Fraud Division** will continue to bring major criminal prosecutions and will also pursue civil litigation against provider fraud. The division continues to receive referrals from the Department of Human Services and from federal authorities and recently began to participate in the United States Attorney's newly formed Health Care Fraud Task Force, so its referral base is growing. In addition, talks have begun on a national level about expanding the basic mission of state Medicaid Fraud Divisions to include prosecution of Medicare-related cases. Such an expansion would dramatically increase the enforcement opportunities of a division which already turns away lower priority work.

OUTCOMES:

Antitrust Division

During the last 2 years the **Antitrust Division** has conducted 19 enforcement actions on behalf of the state despite being understrength during some of the period. This is an increase from the 16 actions conducted in the prior biennium. The cases covered the whole range of complex antitrust litigation, from price fixing to attempted monopolizations, illegal tying arrangements and market allocation schemes. Our investigations were both civil and criminal, and included cases involving health care products and provider systems, retail gasoline pricing practices, state highway bids, and waste hauling. These actions were all the more significant because of continued laxity in federal antitrust enforcement efforts. Much of the deterrence during this period against unlawful restraints of trade and other destructive anticonsumer business practices came from the activism of a handful of state antitrust divisions, Minnesota being consistently recognized as among the leaders. The division has been especially active in examining mergers and consolidations in the health care area for potential harm to consumers. One of our biggest cases was a successful action in federal court to prevent the harmful anticompetitive effects of a large Twin Cities hospital merger, which the federal government declined to challenge. As in the past, the Antitrust Division's enforcement efforts are cost effective. Since the beginning of the current biennium the division has obtained a total of \$3,108,360 in court-ordered penalties, damages, restitution and costs.

Consumer Division

During the past 2 years, the **Consumer Division** has initiated 62 law enforcement actions and obtained judgments for the state totaling \$1,017,953. The Consumer Division also has recovered over \$9,800,000 in restitution for Minnesota consumers through its enforcement actions. The division has focused its enforcement resources on frauds against vulnerable citizens, including seniors, recent immigrant groups and low-income persons. The division also has concentrated its resources on various telemarketing and direct mail scams that have bilked Minnesota consumers out of millions of dollars. Other enforcement areas over the past 2 years include illegal mortgage escrow practices, health frauds, credit practices, investment scams, auto dealers, automobile sales practices, unlawful landlord activities and misleading environmental claims by national marketers.

During the previous reporting period written consumer complaints rose 16%, to 10,435, in F.Y. 1990. That trend continued during the past 2 years, with 11,761 (13%) increase in F.Y. 1991, and

1994-95 Biennial Budget

PROGRAM: Law Enforcement
AGENCY: Attorney General, Office of
(Continuation)

12,663 (an additional 8%) in F.Y. 1992, for a total 2-year increase of over 21%. Daily calls to the consumer complaint line, averaging 250 in F.Y. 1989, have now soared to over 400. Despite the increase in work, mediation staffing remained constant during the period, with the result that average mediator caseloads have risen from 300 to 370. The mediation unit continues to show positive results, recovering \$2,860,953 for consumers during F.Y. 1991-92. Adding this figure to the recoveries of the enforcement staff, the Consumer Division contributed \$13,678,906 to the state and its consumers over the past 2 years. The amount of economic loss prevented by the same activities is incalculable.

Criminal Division

The Criminal Division investigates and prosecutes serious offenses in the district courts and responds to appeals of criminal convictions from about 80 counties. In F.Y. 1991 the division filed 177 appellate briefs and responses and 174 in F.Y. 1992. The most common convictions appealed were for criminal sexual conduct and murder. Investigative efforts concentrate on complex white collar crimes such as swindles and securities violations. Trial prosecutions for F.Y. 1991-92 involved almost exclusively murders, criminal sexual conduct, drugs, gambling and white collar crimes. Drug offenses were the most common charges filed. Division prosecutors tried a record 16 jury cases in calendar year 1991. In F.Y. 1992 division staff completed 100 investigations and trial prosecutions. Two first degree murder convictions were obtained and 4 homicide grand jury inquiries conducted. Gambling prosecution was a new initiative in F.Y. 1991 necessitated by the phenomenal growth in lawful gambling.

Environmental Investigations

Since its formal organization in September, 1991, the Environmental Investigations Division has aggressively pursued environmental crimes and selected opportunities for environmental advocacy. The division also represents 1 state agency, the Environmental Quality Board. The division has obtained criminal convictions for unlawful hazardous waste disposal (*State v. Venex*, Aitkin County), hazardous waste storage (*State v. Njaka*, Dakota County), transportation of hazardous waste (*State v. Garbers*, Lincoln County), and water pollution (*State v. Thiessen*, Roseau County; *State v. Selbitschka*, Aitkin County). The division also investigated a case of false reporting of water discharges, turning the file over to the United States Attorney's Office for successful prosecution. Four criminal cases are now pending, including unlawful hazardous waste disposal indictments against a Steele County company and its president, and similar charges against county highway department employees in Isanti County. An important adjunct to the division's criminal prosecution mission has been its role in working with county attorneys and others to train and facilitate the investigation and prosecution of environmental offenses at the local level.

In its general environmental advocacy role the division participated in a permit dispute between the City of Minneapolis and a construction company which planned to build a concrete recycling facility next to a residential neighborhood. While the district court ordered the permit to be issued, the City, with the division's help as amicus curiae, persuaded the Court of Appeals to overturn the

decision, thus ensuring that proper weight will be given to environmental concerns in future cases and protecting the quality of life in a Minneapolis neighborhood.

Medicaid Fraud Division

The Medicaid Fraud Division has successfully prosecuted many financial fraud cases involving health care providers and long-term care facilities and has a number of promising new investigations. This division concentrates on complex financial fraud cases which require extensive audits and lengthy trials. During F.Y. 1991 the division obtained 6 criminal convictions resulting in financial sanctions of \$702,567: \$119,636 in restitution of Medicaid program funds, \$563,269 in restitution of Medicare program funds, \$17,661 in restitution to private insurers, and \$2,000 in criminal fines. The defendants convicted during F.Y. 1991 face a total 74 months incarceration, 540 months probation, and 360 hours of community service.

During this same time, the division launched a major investigation which has resulted in charges against the nursing home administrator and director of nursing at Horizon West, a Minneapolis nursing home, for permitting conditions to exist which resulted in the neglect of 4 mentally ill adults. (*State v. Rafferty*, *State v. Yaklich*) Another significant case involved the trial of a Hennepin County psychologist in August of 1990 which resulted in conviction on all counts of defrauding the Medicaid program and Blue Cross/Blue Shield of Minnesota. (*State v. McDonough*) This psychologist was subsequently investigated and charged in August of 1992 with committing the same type of offense involving the Medicaid program after his suspension from that program. During this time period, a Duluth psychiatrist was tried and convicted of defrauding the Medicaid program, Medicare, and the Veterans Administration as well by billing for psychotherapy services which he did not render. This unit also tried a medical transportation case and investigated a speech therapist who was indicted by the U.S. Attorney's Office for submitting claims to Medicaid and Medicare that were substantially in excess of the time he actually spent with patients. During F.Y. 1991, the division also investigated several other psychologists, dentists, and transportation providers who are yet to be charged.

PROGRAM PLAN:

The Consumer Division eliminated 1.5 legal assistant and .5 attorney positions to accommodate budget cuts mandated by the legislature for F.Y. 1992. To deal with the cuts the division has already scaled back its efforts in the registration and regulation of club contracts and will seek legislative change to be relieved of all such duties. In addition, the division will seek legislation relieving it of the responsibility of reviewing plain language contracts. The division has thus far not imposed a minimum dollar limit on enforcement actions, largely because its actions are intended to prevent loss as much as to recoup it. The division will choose from among the enforcement possibilities those which appear most likely to result in serious, widespread harm. The consumer mediation unit, however, no longer mediates complaints involving \$25 or less and is considering raising that amount and imposing other limitations which would reduce the number of open mediation files.

The Antitrust Division may delay or drop pending investigations, although the loss of revenue-producing litigation would be counterproductive.

The Criminal Division may have to further tighten its case selection criteria by refusing to prosecute crimes carrying less than specified presumptive sentences or involving less than \$75,000 or \$100,000 dollars.

PROGRAM: Law Enforcement
AGENCY: Attorney General, Office of
 (Continuation)

The **Medicaid Fraud Division** could sort cases by a number of criteria, for example by prosecuting provider billing fraud cases of only a specified dollar amount or larger. However, every case the division passes up is an opportunity to recoup, through restitution payments, money stolen from a state program, so the net budget effect of such an action would be mixed.

If necessary to accommodate a budget reduction the **Environmental Investigations Division** will be reduced by 1 attorney position. The division will stop providing non-litigation legal services to the Environmental Quality Board and all non-criminal prosecution environmental advocacy.

Under separate document, a special initiative has been prepared to create special units in the Criminal and Consumer Divisions to take legal action to prevent practices that raise the cost of health care and waste health care expenditures by the state, its citizens and third party payers of health insurance benefits.

REVENUE:

This program generates dedicated and non-dedicated revenue.

Type:	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Non-dedicated - General	\$800	\$932	\$1,000	\$1,000	\$1,000
Dedicated - Special		9	11	11	11
Dedicated - Federal	732	738	727	727	727
Dedicated - Agency	52	489	279	279	279
Dedicated - Gifts			6	6	6
Total	\$1,584	\$2,168	\$2,023	\$2,023	\$2,023

This program also generates revenue for individuals, and classes of individuals, through its consumer services and enforcement activities, and its antitrust and medicaid fraud activities.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Attorney General will adhere to the same budget constraints and targeted funding levels as state government agencies.

The Governor also recommends that proposed funding be reduced for revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: LAW ENFORCEMENT
ACTIVITY: LAW ENFORCEMENT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,109	3,330	3,516	3,522	3,824	3,410	3,522	3,824	3,410
EXPENSES/CONTRACTUAL SRVCS	530	487	618	713	713	713	734	734	734
MISC OPERATING EXPENSES	154	584	439	436	436	436	436	436	436
SUPPLIES/MATERIALS/PARTS	71	63	41	41	41	41	41	41	41
CAPITAL EQUIPMENT	32	14	15	15	15	15	15	15	15
OTHER	261	248	170	170	170	170	170	170	170
SUBTOTAL STATE OPERATIONS	4,157	4,726	4,799	4,897	5,199	4,785	4,918	5,220	4,806
TOTAL EXPENDITURES	4,157	4,726	4,799	4,897	5,199	4,785	4,918	5,220	4,806
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES						<108>			<108>
(A) SALARY PLANNING ESTIMATES						<4>			<4>
(P) BACK OUT HEALTH CARE FRAUD PROSECUTIONS						<302>			<302>
TOTAL GOV'S INITIATIVES						<414>			<414>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,373	3,357	3,652	3,755	4,057	3,647	3,776	4,078	3,668
ENVIRONMENTAL		114	124	119	119	115	119	119	115
STATUTORY APPROPRIATIONS:									
GENERAL		19							
SPECIAL REVENUE		9	11	11	11	11	11	11	11
FEDERAL	732	738	727	727	727	727	727	727	727
AGENCY	52	489	279	279	279	279	279	279	279
GIFTS AND DEPOSITS			6	6	6	6	6	6	6

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: LAW ENFORCEMENT
ACTIVITY: LAW ENFORCEMENT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	4,157	4,726	4,799	4,897	5,199	4,785	4,918	5,220	4,806
POSITIONS BY FUND:									

GENERAL	58.1	60.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0
FEDERAL	9.8	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
ENVIRONMENTAL	.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	67.9	73.0	68.0	68.0	68.0	68.0	68.0	68.0	68.0

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Attorney General, Office of
PROGRAM: Law Enforcement
ACTIVITY:

ITEM TITLE: Health Care Fraud Prosecutions

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund	\$302	\$302	\$313	\$323
Revenues: (\$000s)				
General Fund	\$210	\$210	\$210	\$210
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Attorney General Office to present its budgetary needs directly to the legislature for consideration.

Request for funding of \$302,000 per year and 7 positions for the prosecution of those who commit health care fraud.

As America's health care payments pass 12% of its gross national product, the cost of health care has become a priority concern for policy makers on all levels of government. The Attorney General will present a package of health care cost containment measures for this legislative session. The proposals will cover a variety of subject matters and industry practices. Enhancing resources available to combat fraud which drives up the cost of health care, and health care insurance, is a cornerstone of the anti-fraud initiative.

Health care fraud comes in different guises--all of them expensive. The Attorney General's Medicaid Fraud Control Unit, for example, prosecutes those who steal from the state's medical assistance program through a variety of false billing schemes; the Consumer Enforcement Division keeps scarce health care dollars from being wasted on worthless goods and services. But while the

frauds vary, their effect does not: they take sorely needed health care dollars away from individuals, insurers and state programs and give them to crooks. FBI Director William Sessions estimated earlier this year that 10% of all health insurance claims are fraudulent (*New York Times*, 2-4-92). *U.S. News & World Report* estimated the total loss at \$50-80 billion a year. (2-24-92 cover story).

To deal even with the current incidence of fraud the Attorney General needs additional investigative and prosecutorial resources. The need becomes more acute with the state poised, through the MinnesotaCare program, to become a bigger health insurer--and thus a bigger direct victim of health care fraud. The Medicaid Fraud Control Unit is limited by the terms of its federal grant to prosecuting fraud relating to Medicaid funds, and cannot address broader fraud issues. The Consumer Division struggles to keep pace with the barrage of telemarketing and traditional consumer fraud cases, and the Criminal Division has no excess capacity to bring to bear on a new initiative in a complex subject area. Creating an effective health care fraud program will require a substantial investment.

PROGRAM OUTCOMES:

The direct results of adding personnel will be increased legal actions against practices which raise the cost of health care, or waste health care expenditures by the state, its citizens, and third party payors of health insurance benefits. It is anticipated that Criminal Division personnel will focus primarily on criminal prosecutions for health care billing frauds, theft of health care goods and services, and other criminal conduct which increases health care expenditures. Consumer Division staff will expand their efforts against false and misleading claims for health care products, or practices which promote over-utilization, or unsafe utilization of products such as prescription drugs.

LONG-TERM IMPACT:

Increased criminal and civil prosecution of health care fraud is a critical component of a broad-based strategy for containing health care costs. The initiative will contribute toward that objective by: 1) recouping, through restitution payments, civil penalties and criminal fines, the actual costs to victims of specific health care frauds; and 2) specifically deterring, through appropriate criminal penalties, perpetrators from committing additional frauds; and 3) generally deterring others who might also be tempted to engage in unlawful conduct which destroys the integrity and efficiency of the state's evolving health care delivery systems.

1994-95 Biennial Budget

PROGRAM: Legal Policy and Administration
AGENCY: Attorney General, Office of

PROGRAM PURPOSE:

The **Legal Policy and Administration Program** provides the Attorney General's Office with legal and policy leadership and administrative services.

■ **Administrative Services**

Administrative Services staff provide operations support to the Attorney General's Office. They direct the personnel, accounting, budgeting, purchasing, office automation, library services, records and facility management for all the divisions of the office. The accounting and budget unit supports the development of the budget, the collection of revenue and the payment of office obligations. The citizen assistance unit is responsible for the hundreds of citizen contacts made with the office every day. Approximately 400 staff members count on personnel staff to provide services on the administration and interpretation of all employment benefits, labor relations and personnel programs. The legal staff are dependent on library staff for the tools and assistance needed to conduct legal research effectively and efficiently. Office automation services assist staff with document production and management tasks that are essential to the smooth operation of a large law office.

■ **Executive Management**

An **Executive Committee** is composed of the managers of each of the office's major programs: Legal Policy, Administration, Solicitor General, Government Services, Business Regulation, Law Enforcement and Public and Human Resources. Led by the Attorney General and the Chief Deputy, the committee directs and coordinates the legal activity of the office. The policies and priorities for the office's 30 plus divisions are set within the limitations of the office's financial resources.

■ **Policy and Communications**

The **Policy and Communications Division** develops and coordinates the legal and public policy positions of the Attorney General, directs and coordinates communications and press contacts for the office, and implements policy goals and objectives through special programs and initiatives. Policy directors in the areas of environmental protection, consumer protection, and criminal justice serve under the direction of the Executive Assistant. Their activities include working with the Legislature, developing and proposing legislation, working with task forces and commissions on policy initiatives and involvement in proactive litigation with specific policy objectives. In addition, the division helps coordinate and implement initiatives developed by other divisions and committees within the office, such as the Civil Rights Working Group and the Seniors Legal Rights Working Group. The Special Projects Director coordinates and implements the office's policy-related programs, including Drug Abuse Resistance Education (D.A.R.E.), The Alliance for a Drug Free Minnesota, the Minnesota Consumer Education Program, the Attorney General's Sexual Violence Prevention Project,

environmental education initiatives and other policy-related initiatives. Federal, state, local, public and private funding and personnel have been employed to address these issues.

OUTCOMES:

Administrative Services:

A small but experienced and dedicated team provides the support needed by the rest of the staff to perform their jobs. The accounting staff pay over 500 bills each month and process an additional 100 expense reports. The office meets the prompt payment targets on most months. Other **Administrative Services** staff provide direction regarding lease renewal and enforcement, union contract administration, enforcement of safety measures, compliance with the Americans With Disabilities Act (ADA), and officewide training such as CPR training and prevention of sexual harassment training. The office had 11 workers compensation claims, 2 labor grievances and no sexual harassment complaints in F.Y. 1992. Library staff offer reference and research support, conduct searches of legal and non-legal computerized information sources and oversee selection, purchase, and cataloging of all books, serials, journals, magazines, newspapers, etc. Databases have been established for the office's docket, timekeeping and billing system. Consumer complaints are also automated. Transcript data has been automated for several cases with voluminous deposition records. Attorneys are able to search the database electronically. The Management Information Unit keeps the office's docket of 45,000 cases, inputs over 10,000 time report entries every 2 weeks; provides management and clients with reports on time worked, and bills clients for legal services provided. The personnel staff process payroll with almost zero errors, provide information and assistance on all health insurance matters, and direct all areas of hiring and separation.

Executive Management:

The **Executive Committee** has had to balance the competing and increasing demands for legal services during a time of extremely limited financial resources. They have consulted regularly as a group and with their own program management teams to assure that the state's most critical legal needs have been met. During the past biennium, they initiated a Total Quality Management (TQM) program in the office and are working with all staff to implement TQM principles appropriate for a government law office.

Policy and Communications:

Environmental Protection Policy: Over the past 4 years the office has assumed an increasingly pro-active role in developing environmental policy initiatives. Among the key initiatives are: legislative proposals including the Environmental Enforcement Act of 1991; the Land Recycling Act; creation of the Environmental Investigations Division, which oversees the work of the state's Environmental Crimes Team; successful conclusion of several environmental crimes prosecutions; development of a grade 7-12 environmental curriculum entitled Eco-Sense; convening of the Common Vision Forum on sustainable development; and several national projects including leading the national Attorney General Task Force on environmental marketing, assisting the National Association of Attorneys General in securing the passage of the Federal Facilities Compliance Act and hosting a 3-week technical assistance visit from a member of the Hungarian Chief Public Prosecutor's Office.

Criminal Justice Policy: Since taking office in 1983 the Attorney General has developed a series of proposals to reform the criminal justice system. Legislative proposals often stem from

1994-95 Biennial Budget

PROGRAM: Legal Policy and Administration
AGENCY: Attorney General, Office of
(Continuation)

commissions and task forces. The 1989 Task Force on Sexual Violence Against Women recommended major toughening of rape laws and a new focus on education and prevention. Penalties were raised, but the prevention measures were not fully acted upon. In 1992, several education/prevention recommendations were again proposed and adopted.

In 1991 the Attorney General focused on the problem of gangs and crafted increased penalties for gang violence and greater protection for victims and witnesses. In 1992, working with the Governor and Chief Justice, the Attorney General staffed the Pardon Board Review Commission and crafted legislation to revise the pardon process, making it more open to public input and scrutiny. Also in 1992, he worked with the legislature to further strengthen penalties for rapists and violent predators, including the passage of life without parole legislation. In addition, the Attorney General's boot camp proposal was enacted.

Consumer Protection Policy: As the state's chief enforcer of consumer protection laws, the Attorney General regularly develops policy initiatives to address consumer problems and issues. Recent initiatives include legislative proposals to contain consumer health care costs, regulate the sale of re-built autos, and create restrictions on sweepstakes mailings and fraudulent telemarketing. The Attorney General also played a role in influencing national consumer protection policies by leading a national task force that established federal standards for environmental marketing claims and providing congressional testimony and comments on the Federal Credit Reporting Act. In addition, several projects aimed at preventing consumer problems and fraud were initiated or continued, including an anti-senior fraud project and a consumer literacy project for Minnesota schools.

Drug and Alcohol Abuse Prevention: The Alliance For A Drug Free Minnesota was created in 1987 to encourage Minnesota communities, law enforcement and schools to participate in drug and alcohol abuse prevention. In 5 years, the program has implemented a series of initiatives to mobilize communities and students against drug and alcohol abuse. Following is a summary of recent and ongoing activities of the Alliance:

- Since 1990, the Alliance has sponsored an annual youth leadership conference on drug and alcohol-related issues for senior high school students. In 1992, 400 Minnesota high school students and educators attended the conference.
- Since 1990, the Minnesota Twins have joined the Alliance in sponsoring a junior high school drug prevention contest called Grand Slam. This annual contest encourages junior high students to initiate and participate in anti-drug activities.
- In April 1992 the Alliance sponsored its first youth leadership conference for junior high students. Two hundred students and educators gathered together to discuss drug and alcohol-related issues.
- The Alliance recently initiated an effort entitled "Talking Together: A Chance for Change"

that involves students teaching students about sexual violence and harassment, group behavior, and chemical use. "Talking Together" brings together the tangled pieces of interpersonal violence on campus and its relation to drug and alcohol use.

The Attorney General has played a prominent role in establishing and promoting the Minnesota Drug Abuse Resistance Education (D.A.R.E.) program. D.A.R.E. is a drug prevention program in which specially trained law enforcement officers teach 5th and 6th grade students a 17 week curriculum designed to promote self-worth and respect and prevent drug and alcohol abuse. In 1989, the Attorney General developed legislation establishing a D.A.R.E. officer training center in the BCA and creating the D.A.R.E. Advisory Board (now D.A.R.E. Advisory Council) to oversee statewide implementation. The Attorney General chairs and staffs the Council, which has successfully promoted and expanded the program in communities and schools throughout the state. The Council by statute provides advice and guidance in implementation and promotion of D.A.R.E. throughout the state and ensures that standards, policies and implementation of Minnesota D.A.R.E. are consistent with the educational policies of the state and D.A.R.E. America.

Under the direction of the Attorney General's Office, the Minnesota D.A.R.E. Advisory Council and Minnesota D.A.R.E., Inc. have had a tremendous impact on the growth of the program across the state. The Minnesota D.A.R.E. program is now held out as a national model by D.A.R.E. America.

- The number of trained D.A.R.E. officers increased from just 1 in 1987 to 368 trained officers as of 12-31-92.
- The D.A.R.E. program has been implemented in every elementary school in Minneapolis and St. Paul.
- The D.A.R.E. curriculum is now being taught in 194 of the 423 school districts (628 schools) within the state.
- To date, 57,983 Minnesota 5th and 6th graders have graduated from the D.A.R.E. program.

Sexual Violence and Harassment Prevention: To attack the root of the problem of sexual violence, the Attorney General has developed and implemented a public education effort aimed at preventing rape and sexual harassment. The initiative began in 1989 with passage of the Attorney General's proposal to require schools to develop clear policies on sexual harassment.

Accomplishments in 1991-92 include:

- Presentations at nearly 100 college and university campuses across the state aimed at preventing sexual harassment, date rape and campus violence.
- Distribution of 175 copies of the video "Campus Rape" and 175 sets of 9 rape awareness ads from the Santa Monica Rape Treatment Center to colleges across the state.
- Compilation and distribution of a 1990 sexual harassment/assault survey for all post-secondary institutions and development of a follow-up survey in 1991 to measure whether schools have successfully implemented policies and programs.
- Development and passage of legislation requiring each public and private post-secondary

1994-95 Biennial Budget

PROGRAM: Legal Policy and Administration
AGENCY: Attorney General, Office of
 (Continuation)

institution to prepare and implement plans to avoid problems of violence and sexual harassment on campus. These plans will be reviewed by the Attorney General's Office and the Higher Education Coordinating Board, which will report results to the legislature in 1993. Plans are to be fully implemented on campuses by the 1994-95 academic year.

- Ongoing survey of Minnesota high schools and junior high schools on sexual harassment and violence policies, reporting of incidents of sexual harassment or violence and school disciplinary procedures.

OBJECTIVES:

Administrative Services:

Without adding administrative staff, benefits must be produced by improving the processes used to deliver services. Each unit within Administrative Services has implemented all recommendations of the Legislative Auditor and supports quality improvement management principles. The chief objective is to enact only essential business controls in order for the rest of the staff to freely conduct the legal business of the office.

Executive Management:

The Executive Committee will direct and support the TQM efforts that were begun in F.Y. 1992-93. Believing that these efforts will produce improved processes in the way the office conducts its business on behalf of the state, the committee will support staff involvement in the TQM activities. The committee will participate in the strategic planning conducted by the Department of Administration in order to promote the future consolidation of all Attorney General staff in a single location. A new office building in the Capitol complex would offer many and better opportunities to share knowledge and resources in a more effective manner than is feasible under the current decentralization of office space.

Policy and Communications:

The division uses the resources and authority of the Attorney General's Office to develop and advance policies to address critical public issues and concerns. The constant or growing problems of violence, racism, sexual harassment and violence against women, drug and alcohol abuse, environmental degradation and pollution, health care fraud and consumer rip-offs present ongoing challenges to address through reforms of our legal system and policy and program initiatives.

PROGRAM PLAN:

The Legal Policy and Administration Program will participate in a budget plan that assures that the Attorney General is able to discharge his constitutional and statutory responsibilities to represent the interests of the citizens of the state. The Attorney General and the Executive Committee are

committed to working with the entire staff to continuously improve the operations of the office and to invest the benefits of those improvements in better service to all clients of the office.

REVENUE:

This program generates dedicated revenue.

Type:	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Dedicated - Special	\$3	\$23	\$30	\$30	\$30
Dedicated - Federal	20	0	0	0	0
Dedicated - Agency	1	1	1	1	1
Dedicated - Gifts	<u>36</u>	<u>69</u>	<u>74</u>	<u>74</u>	<u>74</u>
Total	\$60	\$93	\$105	\$105	\$105

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Attorney General will adhere to the same budget constraints and targeted funding levels as state government agencies.

The Governor also recommends that proposed funding be reduced for revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: LEGAL POLICY, COMMUNICATION AND AD
ACTIVITY: LEGAL POLICY, COMMUNICATION AND AD

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,708	1,858	1,859	1,870	1,870	1,807	1,870	1,870	1,807
EXPENSES/CONTRACTUAL SRVCS	757	531	694	638	638	638	638	638	638
MISC OPERATING EXPENSES	458	437	175	175	175	175	175	175	175
SUPPLIES/MATERIALS/PARTS	251	220	252	252	252	252	252	252	252
CAPITAL EQUIPMENT	15	86	16	16	16	16	16	16	16
OTHER	10	14							
SUBTOTAL STATE OPERATIONS	3,199	3,146	2,996	2,951	2,951	2,888	2,951	2,951	2,888
TOTAL EXPENDITURES	3,199	3,146	2,996	2,951	2,951	2,888	2,951	2,951	2,888
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES									
GEN									
						<63>			
						<63>			
TOTAL GOV'S INITIATIVES									
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,139	3,054	2,891	2,846	2,846	2,783	2,846	2,846	2,783
STATUTORY APPROPRIATIONS:									
GENERAL			1	1	1	1	1	1	1
SPECIAL REVENUE	3	23	30	30	30	30	30	30	30
FEDERAL	20								
AGENCY	1								
GIFTS AND DEPOSITS	36	69	74	74	74	74	74	74	74
TOTAL FINANCING	3,199	3,146	2,996	2,951	2,951	2,888	2,951	2,951	2,888

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
 PROGRAM: LEGAL POLICY, COMMUNICATION AND AD
 ACTIVITY: LEGAL POLICY, COMMUNICATION AND AD

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
POSITIONS BY FUND:									
GENERAL	34.0	34.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
TOTAL POSITIONS	34.0	34.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0

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1994-95 Biennial Budget

PROGRAM: Business Regulation
AGENCY: Attorney General, Office of

PROGRAM PURPOSE:

The purpose of the **Business Regulation Program** is to enforce state laws that establish standards of conduct for businesses and professions regulated by the State of Minnesota and that require the payment of taxes to the State of Minnesota. The well being of Minnesota citizens depends on effective enforcement of these laws which, among other things, prohibit deceptive practices in the charities, gambling and financial services industries, assure affordable access to quality utility services, ban discrimination in important transactions such as employment and housing, establish standards for licensed teachers and require payment of the taxes that are necessary to fund state programs.

- Charities are big business. Charitable organizations and trusts registered with the Attorney General's **Charities Division** have total assets valued at more than \$16 billion. Last year, Minnesotans gave approximately \$2 billion to charity. The Attorney General is the only public official with oversight responsibility and legal authority to assure that charities operating in Minnesota are legally raising, spending, and investing their assets.
- Gambling has also become a big business in Minnesota. In the past 10 years, legalized gambling has mushroomed into a \$3 billion industry in this state, generating approximately \$170 million in gambling-related taxes, and another \$300 million in proceeds for a wide range of beneficiaries designated under the law. Vigorous enforcement of the state's gambling laws is critical to ensure the integrity and fairness of legal forms of gambling, as well as continued revenue to the state and other beneficiaries of gambling. The **Gambling Division** represents the state's gambling agencies in their enforcement efforts. When investigations by the **Gambling Control Board**, for example, reveal that lawful gambling organizations have acted illegally, the division handles the disciplinary proceedings against licensees. The division prosecutes all civil disciplinary cases against the **Racing Commission's** licensees, represents the **Lottery** in administrative proceedings concerning the termination of retail contracts and represents the state in actions brought under the **Indian Gaming Regulatory Act**.
- Fraudulent conduct by insurance agents, real estate brokers and other segments of the financial services industry threatens the financial well being of consumers. When investigations by the **Department of Commerce** establish that illegal conduct has occurred, the **Commerce Division** acts to stop the conduct, discipline those responsible and obtain restitution for injured victims.
- The **Telecommunications and Energy Division**, on behalf of the **Department of Public Service**, enforces state laws that regulate the rates and practices of electric, telephone and natural gas utilities. These monopoly services are some of the larger monthly expenses paid by most Minnesotans. The division represents the general interest of all ratepayers in cases before the **Public Utilities Commission (PUC)** and the **Federal Energy Regulatory Commission** on matters affecting utility rates, quality of service and the need for new power plants.

■ Sexual harassment, racial bigotry and other forms of illegal discrimination deprive citizens of access to employment, housing and other fundamental human needs. Minnesotans who are subjected to illegal discrimination can file complaints with the **Department of Human Rights**, which investigates these claims and tries to informally resolve them through settlement negotiations. However, when the department's efforts to obtain relief for victims of discrimination fail, the **Human Rights Division** must seek that relief through litigation. The division may obtain an injunction prohibiting the reoccurrence of a discriminatory practice, compensation for the individual victims of the discrimination and civil penalties, which are paid to the state.

■ The **Education Division of the Attorney General's Office** provides legal services to the **Board of Teaching**, the **Community College System (18 campuses)**, the **Minnesota Center for Arts Education**, the **Department of Education**, the **Higher Education Coordinating Board**, the **State University System (7 campuses)**, the **State Board of Technical Colleges**, the **State Council on Vocational Education**, the **Department of Jobs and Training**, the **State Historical Society**, the **Veterans Homes** and the **Department of Veterans Affairs**. The broad range of legal services provided to these agencies includes promoting safe schools through investigation of teacher misconduct, implementation and enforcement actions against sexual harassment and sexual violence, securing gender equity in athletics and protecting veterans' preference rights.

■ But for the **Residential and Small Business Utilities Division**, the residential and small business classes of utility users would have no one to represent their unique, and critically important, interests in utilities proceedings. The circumstances of small business and residential customers stand in sharp contrast to the growing opportunities for large business customers to use other energy sources and private communication services and to pass their costs on to others. This division is the advocate of residential and small business consumers to ensure that the regulatory process recognizes their special status and economic problems. With the increased focus on the environmental impact of regulated utilities, the division works to ensure that residential and small business customers have access to sound energy conservation programs and that the energy needs of these customers are met in a way that is environmentally sound as well as affordable.

■ Revenues are the lifeblood of the state. Preserving the integrity of the state's tax system and enforcing compliance with the tax laws is the function of the **Tax Litigation Division**, which represents the **Minnesota Department of Revenue** in court cases appealing tax assessments, seeking refunds or challenging the state's tax laws. Successful tax litigation is required to ensure compliance with Minnesota's tax laws, which in turn is essential to generate the funds needed to implement the programs established by the legislature to improve Minnesota's quality of life.

In addition to enforcement of the state laws described above, the **Business Regulation Program** is responsible for providing a wide array of other legal services to the various state agencies that it represents. These services include daily legal advice regarding agencies' responsibilities under state and federal law, contract review, rulemaking and defense of agencies when they are sued in state and federal court. These services are essential to the effective functioning of client agencies and can have a substantial financial impact on state government. In 1 case, for example, the **Commerce Division** successfully defended the **Commerce Department** in a lawsuit challenging the constitutionality of Minnesota's securities registration fee system. Had the challenge succeeded, the state would have lost revenues of approximately \$15,000,000 in the 1991-92 biennium, and similar amounts in future bienniums.

1994-95 Biennial Budget

PROGRAM: Business Regulation
AGENCY: Attorney General, Office of
(Continuation)

PROSPECTS:

The Commerce Division and the Human Rights Division anticipate that the demand for their legal services will remain stable through the next biennium. Similarly, the Tax Litigation Division anticipates that taxpayer appeals will continue at approximately the same rate during the next biennium, with increased activity in bankruptcy and collection matters and officer liability cases for sales and withholding taxes. There is a substantial likelihood of major test cases challenging taxation of financial institutions and the 2% gross receipts tax funding mechanism for MinnesotaCare. It is likely the next biennium will generate appeals and claims involving tax revenues comparable to those generated in the last biennium.

Rate cases and rate investigations are expected to take up much of the Telecommunication and Energy Division's services during the upcoming biennium. It is expected that the largest gas utility and 2 largest electric utilities will have rate proceedings during that time period, as well as at least 2 telephone companies. In addition, the Department of Public Service is conducting a far-reaching investigation of independent telephone company rates and affiliate practices that is likely to extend well into the next biennium and could affect over 50 telephone companies. Furthermore, U.S. West's current incentive plan will be coming to an end which may necessitate a major rate investigation of the state's largest telephone company. There will be a continuation of the expanded emphasis on conservation and integrated resource planning during this period, with major resource plans being filed by the electric utilities. Also several new rulemakings are expected to deal with new issues involving the conservation, stray voltage and lighting standards. The Department has stated that it expects its need for legal services to expand in the next biennium to meet these demands.

There has been a steady, rapid growth of charities and trusts registered with the Charities Division. Since 1986 the number of registered organizations increased from 2,600 to 4,370. Further, the value of assets held by charities which are registered to solicit contributions in Minnesota increased almost 200% in 6 years from \$4.6 billion in 1986 to \$13.2 billion in 1992. The value of assets held by Minnesota charitable trusts also increased from \$1.9 billion to \$2.8 billion. The number of registered paid fundraisers increased from less than 20 to over 100. Total contributions received by registered charities increased 130% from \$2 billion to \$4.6 billion. With growth comes the need for more oversight. It is difficult to register and monitor effectively hundreds of charitable organizations and professional fund-raisers and billions of dollars in charitable assets with a staff of only 2.5 attorneys and 3 legal assistants. This will be especially true in the next biennium in light of the growing number and size of charities and the public interest in their activities.

The Gambling Control Board has significantly increased its compliance and investigative activities. As a result, a larger number of contested cases and other disciplinary matters of increasing complexity and severity are being handled by the Gambling Division. The board has also begun a lengthy process of revising all areas of its rules to provide for tighter regulation of, and more effective guidance to, the lawful gambling industry. The division will be closely involved in all major aspects of these important rulemaking processes. In addition, the board's need for ongoing

legal advice in regulatory and investigative matters continues to grow and will constitute a significant portion of the division's legal work for the board. The Department of Public Safety, through its Gambling Enforcement Division, now licenses and regulates distributors and manufacturers of gambling devices (video games of chance). This will result in major licensing issues and disciplinary cases in which the division will provide legal advice and representation. The Minnesota Racing Commission will continue to require considerable legal counsel from the division regardless of what occurs at Canterbury Downs. If, for example, the track is sold or leased, the Commission would require extensive legal counsel. Indian gaming continues to expand and evolve. Various Indian gaming issues including compact compliance and changes in federal law require considerable legal work by the division.

The Residential and Small Business Utilities Division faces a significant challenge in the next biennium. The utility regulatory environment is undergoing significant change at both the federal and state level. Some aspects of utility operations are becoming more competitive. However, large customers are the primary beneficiaries of competition. Residential and small business customers are likely to remain captive (non-competitive) to monopoly energy and telecommunications services. Thus, the challenge to protect these captive customers is greater in an environment of increasing competition. A second but no less important challenge will be to ensure that the energy needs of residential and small business customers are met in ways that are affordable, yet protect the environment. This will require the division to put more resources into the search for cost-effective ways to reduce the demand for energy and to increase the renewable and sustainable supply of energy.

Current legislation makes the Higher Education Board (the merger bill) effective 7-1-95. Among other things the bill makes 33 technical colleges, which are currently local governmental units, part of the new state agency. The Education Division will need to do substantial amounts of legal work in the next biennium to merge the State University System, the Community College System and the Technical Colleges by 7-1-95. Legal activity will include property acquisition, employment and bargaining issues, acquisition of outstanding bond, contract and liability issues, etc. An additional source of increased demand for the division's services will come from the board of Teaching. Complaints against licensed teachers have quadrupled in the last 3 years. In F.Y. 1987-88-89, the office opened an average of 17 new complaint files each year. In its 1989 session, however, the Legislature expanded reporting requirements to further protect Minnesota's minor students from improper conduct by teachers. The law now requires school districts to report to the Board of Teaching teachers who have been suspended or terminated for inappropriate conduct. Many of these reports have revealed teachers having improper sexual or physical contact with students. As a result of this reporting requirement, the number of cases being investigated and litigated by the division has increased markedly. Forty-eight cases were opened in F.Y. 1990, the year immediately following the new law, 69 cases were opened in F.Y. 1991 and 61 cases in F.Y. 1992. At the current rate, the division expects to open 80 cases in F.Y. 1993.

OUTCOMES:

The purpose of charities laws is to assure that funds contributed by individuals and businesses actually serve the charitable purposes intended by donors. To achieve this goal, the legislature has required charities to publicly account for the monies they solicit by registering with the Attorney General's Charities Division and by annually reporting how they spend their money. Therefore, 1 important outcome of the Charities Division is public accountability of charitable organizations. To ensure accountability, the division must first enforce compliance with registration requirements, then ensure that the information that is filed is disseminated to the public. Compliance with

1994-95 Biennial Budget

PROGRAM: Business Regulation
AGENCY: Attorney General, Office of
(Continuation)

registration requirements has increased. In the 5 1/2 years since the Attorney General's Office assumed the registration function the number of registered charities has grown from 2,600 to 4,370. Public dissemination of the information has also increased. Among other things, the division issues regular public reports on registered charities and fundraisers which are distributed through the news media and other outlets such as public libraries.

In addition to requiring public accountability through registration, the legislature has established certain standards of conduct by those involved with charitable organizations, prohibiting, for example, fraud and false advertising. Therefore a second outcome is litigation, through which the division enforces the standards of conduct imposed by charities laws and recovers funds. During the last biennium, the division concentrated its enforcement efforts on deceptive fund-raising campaigns conducted on behalf of law enforcement groups. The injunctive relief obtained from district courts in these cases prohibited continuation of these deceptive practices. Other examples include a lawsuit brought against a national organization that solicited funds for a child's transplant but subsequently used the funds for another purpose, and a consent injunction against a non-profit corporation that was alleged to be operating as a private business rather than a charity. The settlement in the latter case forced the executive director to repay money to the organization, required a new director to assure independent oversight, and secured \$50,000 in restitution.

In its representation of the state agencies that regulate gambling, the **Gambling Division's** objective is to provide prompt and effective legal services. In its work on behalf of the Lawful Gambling Control Board, for example, during the first 14 months of this biennium the division handled 94 disciplinary cases. Of these, 78 were resolved either through litigation or settlement. These cases resulted in 24 license suspensions, 8 license revocations, \$750,000 in required gambling fund reimbursements and \$270,000 in civil fines. The remaining cases are either scheduled for hearing or the subject of settlement negotiations. Litigation on behalf of the Racing Commission included several disciplinary cases that led to imposition of civil penalties and license suspensions, and successful defense of a challenge to commission rules relating to purse awards. The division also aggressively defended the Lottery in a trademark infringement action brought in federal court. The suit, if successful as filed, could have subjected the lottery to significant losses in the form of production and distribution costs and lost profits. The case was resolved without any monetary loss to the state or lottery beneficiaries.

When investigations by the Department of Commerce reveal that illegal conduct has occurred, but the Department is unable to work out a settlement with the persons responsible, the Department turns to the **Commerce Division** to initiate legal action. Therefore, 1 of the primary outcomes of the division's work is prompt and effective enforcement action when the Commerce Department requests it. One example during this biennium was an injunctive action brought against a company that the Commerce Department alleged was illegally selling an investment program in Minnesota, primarily to the Hmong community in St. Paul. The company had sold at least \$35 million of its program nationwide. The division's prompt action stopped the program in Minnesota and was a significant impetus for the Securities and Exchange Commission to shut down the program on a national level. In another case, the Department's investigation revealed what it alleged were numerous examples

of unlicensed persons selling insurance. Faced with the imminent initiation of formal disciplinary proceedings by the division, the company agreed to a settlement requiring it to pay the State of Minnesota a total of \$200,000 in civil penalties and investigative costs.

Another outcome is effectively defending client agencies when they are sued. In 1 case during this biennium, for example, the division successfully defended a constitutional challenge to the Minnesota's securities registration fee statute, thus allowing the state to continue to collect approximately \$15 million per biennium in registration fees. In another case, the division successfully defended the constitutionality of an insurance statute administered by the Department that requires certain procedures to be followed in connection with the involuntary termination of insurance agents by insurance companies.

During the past 2 fiscal years, the **Telecommunications and Energy Division** has represented its client, the Department of Public Service (DPS) in cases that have a potentially profound effect on conservation and environmental protection. In 1992, the division filed comments with the Federal Energy Regulatory Commission (FERC) on behalf of the DPS, Pollution Control Agency and Environmental Quality Board in opposition to a proposed pumped hydro storage project on Lake Pepin. The project was fraught with environmental, energy and fiscal problems. After receipt of extensive comments of the state agencies, the project sponsor withdrew the proposal. In 1991, the largest electric utility in the state filed its first integrated resource plan—a blueprint of how it expected to meet its customers' needs for electricity over the next decade. Division attorneys represented the DPS in scrutinizing the plan and proposing methods of conservation and more environmentally benign methods of producing electricity. Many of the DPS proposals were adopted. The division also represented the DPS in the issue of the temporary storage of nuclear waste at the Prairie Island facility and is continuing to do so through the expected appeals of the PUC's decision. The division also represented the DPS in several rate cases over the last 2 years, helping to ensure that rates are just and reasonable. The division's efforts on behalf of DPS were solely responsible for \$25,000,000 in savings to ratepayers, both large and small, and in combination with other parties lead to an additional \$187,000,000 in savings.

The objective of the **Human Rights Division** is to enforce compliance with state laws prohibiting discrimination and to obtain relief for those people who are injured as a result of illegal discrimination. These objectives are achieved in litigation, through which the division obtains damage awards to compensate victims, civil penalties payable to the state treasury and injunctive relief to put an end to the unlawful conduct. During F.Y. 1991 and 1992, the division obtained \$1,485,000 in damage awards for individual victims of discrimination, civil penalty awards to the state of \$250,800 and injunctive relief against a number of individuals and entities, the value of which, although it cannot be quantified, is substantial. For example, in the ongoing litigation with the City of St. Paul regarding its discriminatory firefighter physical ability test, the division obtained damages of \$171,000 for the individual applicants who were the victims of a test that had a sexually discriminatory impact and was not job-related. However, the significance of this case extends far beyond the amount of damages awarded to individuals because the injunctive relief resulted in the integration of St. Paul's sexually segregated fire department. Moreover, the case had great educational value to employers regarding the need to validate job requirements that have a sexually discriminatory impact. Similarly, the Minnesota Court of Appeals decision in the *Clausen* case upheld a damage award of \$10,000 and a civil penalty of \$5,000. More significant was that the ruling established that people suffering from AIDS and people who are asymptomatic HIV-positive are disabled for purposes of the Minnesota Human Rights Act and, further, that dentists cannot refuse ordinary dental care to such persons. The case reaffirms the rule that speculative stereotypical

1994-95 Biennial Budget

PROGRAM: Business Regulation
AGENCY: Attorney General, Office of
(Continuation)

notions regarding an individual's disability cannot be used as a basis for denying services or employment to that individual.

Many of the division's cases settle before trial. However, settlements can be equally effective in vindicating the rights of people who are subjected to illegal discrimination and protecting the general public interest in eliminating such conduct. In the *Lyle* sexual harassment case, for example, the division obtained \$15,000 in damages on behalf of a high school student who was subjected over a long period to sexually offensive graffiti. This was reportedly the first case of its kind in the nation in which monetary damages were paid. The ensuing publicity has served to educate other educational institutions about their responsibilities to protect students from verbal and physical harassment by their peers.

The Education Division provides legal services in response to the varied demands of its 14 client agencies, which are listed in the "program purpose" section above. Some of these services are furnished in connection with enforcement of laws administered by client agencies. For example, to protect school children, the Board of Teaching enforces standards of conduct for Minnesota teachers. The substantial increase in the number of complaints filed against licensed teachers in the last 3 years has led to a substantial increase in the number of teacher disciplinary actions handled by the division. In F.Y. 1990 the board imposed discipline in 4 cases, in F.Y. 1991 that number grew to 19 and in F.Y. 1992 it was 27. If current trends continue, the board will impose discipline in another 25 to 30 cases in F.Y. 1993. The increased demand by the Board of Teaching for investigative and legal services has required a shift of staff resources during the past 2 years. An investigator who previously handled Human Rights investigations now spends most of her time investigating complaints against licensed teachers; the increased demand for legal advice and litigation has been met by decreasing the services furnished to other Education Division clients, particularly the Unemployment Compensation Insurance Section of the Department of Jobs and Training. If the caseload continues to grow, further shifts of this kind will be needed.

As the advocate for residential and small business customers in utilities proceedings, the Residential and Small Business Utilities Division, since 1990 has been solely responsible for obtaining \$14.8 million in savings for those customers and contributed to an additional \$187 million in general savings to all ratepayers. In addition the division has actively pursued environmental concerns relating to energy use. In the NSP integrated resource plan proceeding, for example, the division organized a joint effort among intervenors to achieve a collaborative process that is working to incorporate energy conservation and renewable resources into the provision of future energy needs. In its review of residential electric conservation improvement programs, the division has successfully challenged inefficient practices that undermine energy savings efforts, such as accepting the highest bid for energy efficient light bulbs. The division is also working to build in the consideration of environmental costs when evaluating various energy resource options.

The Tax Litigation Division helps to preserve the integrity of Minnesota's tax system by enforcing compliance with tax laws. To achieve this objective, the division handles all litigation with taxpayers who refuse to pay an assessed tax or challenge taxes on legal grounds. Successful defense

of tax assessments, refund claims and challenges to tax laws saves tax dollars, discourages tax evasion and insures viability of tax schemes and revenues for state programs. During the last biennium individual and corporate taxpayers filed 635 appeals and lawsuits in various courts, including Minnesota Tax Court, State and Federal District Courts, Bankruptcy Court and Appellate Courts. In F.Y. 1991 and 1992 the division resolved cases involving total assessments of \$37.6 million and refund claims of \$8.1 million. Of these amounts, the division collected \$24.8 million in assessments and defeated \$7.6 million in refund claims. Thus, the division saved the state over \$32.4 million in refund claims and tax assessments. These figures, however, underestimate the dollar impact of the division's work because of the enormous cumulative impact of test cases. For example, the *Cambridge State Bank* case, now pending in the U.S. Supreme Court, includes direct refund claims of a few hundred thousand dollars, but will generate total claims of \$160 million or more if the state loses. The *Meunier* case, involving pension income derived from federal obligations, could result in more than \$75 million in refund claims plus substantial ongoing revenue losses. Similarly, the *Minnesota Multiple Sclerosis Society* case, in which the division recently received a favorable tax court decision, challenged the constitutionality of the charitable gambling combined receipt tax. While the refunds claimed by the parties in the case amount to a few thousand dollars, potential revenue losses of over \$35 million annually would have resulted from an adverse ruling.

OBJECTIVES:

The objective of the Business Regulation Program during the next biennium is to continue to increase the effectiveness and efficiency with which it delivers its services. However, the effectiveness and efficiency of legal services are difficult to measure, at least quantitatively. For example, while it is possible to obtain statistics on the aggregate dollar savings or recovery by divisions such as Tax Litigation, Telecommunications & Energy, Residential and Small Business Utilities and Human Rights, those amounts vary from year to year depending on the vagaries of the size and type of cases filed by taxpayers, utilities and individuals who have been subjected to illegal discrimination. Won-lost records in litigation are another possible quantitative measure. However, because a lawyer can do effective work on a case and lose, or do ineffective work and win, such records are not a good measure of effectiveness. The number of hours worked on each case is a possible quantitative measure of efficiency. However, cases vary substantially in their complexity and importance. Complicated cases that have important precedential value will require the investment of many more hours. Investing more hours in such cases does not necessarily indicate inefficient use of resources.

In certain areas, quantitative measures may be appropriate. For example, in the Charities Division the number of charities registered is 1 rough measure of compliance with registration requirements. However, the true measure of effective compliance would be to measure what percentage of the charities that are required by law to be registered in fact are registered. The problem is that those numbers are not available and would be difficult, if not impossible, to obtain. One possible measure of the division's effectiveness at making charities publicly accountable might be the extent to which the public is aware of the availability of data on registered charities and the importance of checking out charities before contributing. Public surveys would be one means of getting that kind of data, but conducting such surveys would cost money that is not available to the division.

It probably is feasible to develop appropriate quantitative measures of effectiveness in improving the environmental record of electrical generators. For example, Minnesota Milestones proposes measuring average annual energy use per capita and setting specific goals for decreasing that figure. Another measure that may be appropriate is the percentage of the state's electrical needs that are met

1994-95 Biennial Budget

PROGRAM: Business Regulation
AGENCY: Attorney General, Office of
 (Continuation)

by renewable energy sources, such as wind and solar.

During the coming biennium, the program will seek to identify appropriate measures by which its success at meeting objectives can be judged.

PROGRAM PLAN:

To provide flexibility in meeting anticipated salary increases and inflation costs, the **Business Regulation Program** will need to eliminate a total of 3 attorney positions and 2 secretarial positions over the course of the biennium. Under the program's proposed plan, 2 attorney positions would be cut from the Commerce Division. Because demands for legal services from the division's clients are not expected to decrease, the division would be slower to respond to its clients needs and would be able to litigate fewer cases for the Department of Commerce. One attorney position would be cut from the Education Division, which would either eliminate certain services to its client agencies or give the agencies the option of contracting directly for the services. Two secretarial positions would be cut from the program. The elimination of these 2 positions will slow response time. The plan calls for increased use of computers and voice mail in an effort to offset, at least to some degree, the loss of secretarial services.

As described in the "Prospects" section above, demands for services are expected to increase in the Charities, Telecommunications & Energy, Residential and Small Business Utilities, Gambling and Education Divisions. Because no increase in complement is forecast, the Program Plan anticipates that this will necessitate slower responses to public and client requests for services, curtailment of some enforcement efforts and the elimination of services in some areas.

If the merger of the State University System, the Community College System and the Technical Colleges is to be effectuated by 7-1-95, there is a substantial amount of legal work that must be done in the next biennium. This is work that cannot be delayed. Because the **Education Division** does not have sufficient staff to handle these increased demands for its services, the Office will be proposing, in a separate document, a special initiative to fund the staff needed to effectuate the merger.

REVENUE:

This program generates dedicated and non-dedicated revenue.

Type:	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Non-dedicated-General	\$750	\$800	\$800	\$800	\$800
Dedicated - Agency	0	5	66	0	0
Total	\$750	\$805	\$866	\$800	\$800

This program defends the state against millions of dollars in claims brought against the state by individual and corporate tax payers. Revenue is also generated on behalf of clients by imposing civil penalties and fines and obtaining restitution. Costs of legal services are also assessed to regulated industries by clients who receive the service (Commerce Department and Department of Public Service). This revenue is reported in the clients' programs.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Attorney General will adhere to the same budget constraints and targeted funding levels as state government agencies.

The Governor also recommends that proposed funding be reduced for revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: BUSINESS REGULATION
ACTIVITY: BUSINESS REGULATION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,633	3,650	3,731	3,736	4,068	3,598	3,736	4,068	3,598
EXPENSES/CONTRACTUAL SRVCS	384	435	423	438	438	438	445	445	445
MISC OPERATING EXPENSES	33	24	152	152	152	152	152	152	152
SUPPLIES/MATERIALS/PARTS	126	32	31	31	31	31	31	31	31
CAPITAL EQUIPMENT	24		4	4	4	4	4	4	4
SUBTOTAL STATE OPERATIONS	4,200	4,141	4,341	4,361	4,693	4,223	4,368	4,700	4,230
TOTAL EXPENDITURES	4,200	4,141	4,341	4,361	4,693	4,223	4,368	4,700	4,230
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES						<138>			<138>
(P) BACK OUT LEGAL SCES TO MERGED HIGHER ED BD						<332>			<332>
TOTAL GOV'S INITIATIVES						<470>			<470>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,200	4,136	4,275	4,295	4,627	4,157	4,302	4,634	4,164
STATUTORY APPROPRIATIONS:									
AGENCY		5	66	66	66	66	66	66	66
TOTAL FINANCING	4,200	4,141	4,341	4,361	4,693	4,223	4,368	4,700	4,230
POSITIONS BY FUND:									
GENERAL	70.1	75.5	72.0	72.0	72.0	72.0	72.0	72.0	72.0
TOTAL POSITIONS	70.1	75.5	72.0	72.0	72.0	72.0	72.0	72.0	72.0

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Attorney General, Office of
PROGRAM: Business Regulation
ACTIVITY:

ITEM TITLE: Legal Services to Merged Higher Education Board

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund	\$332	\$332	\$344	\$356
GOVERNOR'S RECOMMENDATION				
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Attorney General Office to present its budgetary needs directly to the legislature for consideration.

Request for funding of \$332,000 per year and 7 positions for legal services to the merged Higher Education Board.

The Higher Education Board was created by the Legislature in Minn. Laws 1991, ch. 356, art. 9, secs. 1-16, parts of which were codified in M.S. ch. 136E (Supp. 1991). The law sets 7-1-95 as the date on which the Higher Education Board is to be fully operational, including having acquired all of the assets, responsibilities and liabilities of the State University System, the Community College System and the Technical Colleges.

The bill combines 3 types of higher education institutions: the state universities (7 campuses), the community colleges (18 campuses), and the technical colleges (33 campuses). The state universities and the community colleges are currently state agencies so that no additional legal services are anticipated due to the merger bill. However, the 33 technical colleges are currently local government units. Merging these 33 technical colleges into the Higher Education Board will make them state agencies and they will constitute all new permanent legal work. Currently these 33 campuses

obtain legal services from a number of private law firms. Additional legal work is being obtained by them through insurance policies for which the liability insurer provides legal counsel.

Initially the Higher Education Board will need legal assistance to deal with some of these issues:

1. Labor and employment questions related to the technical college staff who are not currently state employees.
2. The acquisition of technical college facilities arising because the state does not currently hold title to the technical college property;
3. The responsibilities and liabilities of the technical colleges, including pending court actions brought by or against the institutions to be merged, outstanding technical college bonds, liability insurance maintained by the institutions to be merged and assumption of the contractual obligations of the institutions to be merged.

The 25 state universities and community colleges utilized the equivalent of 3 F.T.E. attorneys during F.Y. 1992. The educational programs of the 33 technical colleges are inherently more hazardous. Because of this and their greater number, the Attorney General's Office estimates the expected demand for legal services by the 33 technical colleges will be 5 additional attorneys and 2 administrative support staff. (Begin typing here and delete this message:)

PROGRAM OUTCOMES:

With the requested level of legal services the proposed merger has a greatly improved probability of success. The Attorney General's Office can provide the customary legal services as well as the unique merger legal services more economically than the private law firms providing those services now.

LONG-TERM IMPACT:

The merged higher education systems will receive all their legal service from a single source ensuring representation consistent with that provided to other state agencies.

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1994-95 Biennial Budget

PROGRAM: Solicitor General
AGENCY: Attorney General, Office of

PROGRAM PURPOSE:

The **Solicitor General's Program** is a litigation group which represents state agencies and officials in lawsuits involving constitutional defense, personal injury/property damage, construction, environmental compliance and corrections litigation. It consists of 4 of the office's specialized civil litigation divisions, the **Civil Litigation Division**, the **Construction Litigation Division**, the **Corrections Division**, and the **Torts Division**. It also includes the **Opinions Division** which provides Attorney General opinions to state and local officials.

The **Civil Litigation Division** defends the constitutionality of state statutes, rules and official action. In many of these cases, the state is sued directly. However, Minnesota court rules and federal statutes also require that the Attorney General be notified any time a statute is challenged as unconstitutional in private litigation. The Attorney General may then intervene in the lawsuit or file a "friend of the court" brief to support the statute's constitutionality. The **Civil Litigation Division** monitors these notices, and when necessary to assure an adequate defense of the statute, participates in the litigation or assists attorneys throughout the office in doing so. It also reviews all major pleadings and significant appeal briefs before they are filed with the courts in order to assure quality and consistency of positions. In addition, the division provides legal advice and representation to the Minnesota judiciary and the State Board of Public Defense.

The **Construction Litigation Division** advises agencies involved in state construction projects and defends the state when contractors, subcontractors, and third parties sue. The division also protects taxpayers by filing claims against contractors who provide defective work or otherwise fail to comply with contract requirements. In F.Y. 1992, a position was created within the division to provide legal advice and representation to state agencies regarding compliance with state and federal environmental laws and regulations, including representing state agencies when they are named as defendants in federal Superfund actions.

The **Corrections Division** defends the Minnesota Department of Corrections (DOC) against the numerous claims brought by inmates which allege violations of their constitutional and statutory rights, defends against petitions for writs of habeas corpus which challenge the lawfulness of the conditions of prisoner confinement, and litigates extradition proceedings regarding inmates. The division also responds to legal questions from DOC arising from the operation and administration of the prison system. In F.Y. 1993, the division assumed responsibility for implementing the 1992 legislative amendments which authorized the Attorney General to pursue psychopathic personality commitments at the request of county attorneys outside of Hennepin and Ramsey Counties.

By investigating, settling or litigating tort claims, the **Torts Division** defends the state and its employees in personal injury or property damage suits brought by individuals and corporations. The allegations are most commonly of negligence, but they also involve wrongful death, defamation, assault, infliction of emotional distress, excessive force, interference with business relations, and federal civil rights claims.

Virtually everyone who contacts the office of the Attorney General seeks some type of legal opinion. However, state statutes authorize the Attorney General to issue written legal opinions only to

constitutional executive officers, state agencies, committees and commissions of the legislature, and attorneys for local governments or pension funds. The **Opinions Division** reviews requests, determines whether the requests meets jurisdictional requirements, and prepares an informal letter of opinion or publishes a formal opinion.

PROSPECTS:

In the next biennium, the **Solicitor General Program** will continue to have new lawsuits against the state to defend in all of the program's areas of practice. Claims already received, cases in preparation for litigation and the constant stream of opinion requests promise to challenge the limits of staff and current resources.

In the **Civil Litigation Division**, *Skeen v. Randall*, the constitutional challenge to the state's education finance system, will continue to demand intensive resources as it works its way through the appellate process. In addition, several new cases will challenge the division's resources, for example, *Boyle v. McClung*, the constitutional challenge to Minnesota Care; *McSorlie v. Pung*, the case against the Department of Corrections alleging violations of the constitutional and statutory rights of inmates with disabilities; and *McMaster v. State*, a federal class action against the Department of Corrections' prison industries program alleging constitutional and statutory violations for failure to provide the minimum wage to inmates. As a result of the division's high volume of constitutional defense litigation, plaintiff work generated by the Legislative Auditor reports is often delayed. The defense work of the division has also delayed worthwhile projects that could be of benefit office-wide. These include creating a computerized form bank and possibly a brief/research bank, as well as exploring more fully and teaching effective ways to use the office's computer resources in litigation document management.

In addition to a number of smaller claims in which the state is the defendant, the **Construction Litigation Division** currently is handling 2 very large, complex cases that are in various stages of litigation. These cases will require a major commitment of resources during the coming biennium. In *McCrossan v. HNTB*, which arises from the collapse of the Lake Street Bridge, plaintiffs seek \$8 million in damages. *United States v. Arrowhead Refinery* is a federal Superfund case in which the United States has estimated the cost of cleanup at \$60 million. In both cases, the division represents the Minnesota Department of Transportation. The division is also currently pursuing claims ranging from \$30,000 to \$150,000 against contractors who performed defective work on state projects.

Minnesota's prison population continues to increase by approximately 300 inmates per year. These increases, combined with the inmates' litigious tendencies significantly affect the **Corrections Division**. The number of lawsuits handled by the division increased approximately 77% this biennium — from 85 cases in F.Y. 1990-91 to 151 cases in F.Y. 1991-92. The complexity of the cases filed has also increased. For example, *McSorlie v. Pung* and *McMaster v. State*, both mentioned above, raise complex federal constitutional and statutory rights. Without the assistance of the **Civil Litigation Division** and other divisions within the office in handling these cases, the **Corrections Division** would be unable to keep up with other DOC defense work. A position was also transferred to the division in F.Y. 1992.

In addition, the new psychopathic personality commitment program has received 7 requests from county attorneys since 7-1-92. The **Corrections Division** anticipates that MCF-Stillwater alone will refer an additional 15 potential commitments to county attorneys during the next 5 months.

The number of new claims received in the **Torts Division** in F.Y. 1991-92 as compared to the previous biennium was 1,452 versus 1,025, an increase of more than 40%. This significant increase

1994-95 Biennial Budget

PROGRAM: Solicitor General
AGENCY: Attorney General, Office of
(Continuation)

in the level of claims filed has been consistent since 1990, and there is no reason to anticipate a decline during the next biennium. In order to meet this growing demand for services, a part of a legal assistant's time was added to this division in F.Y. 1992.

In the **Opinions Division**, in F.Y. 1993, 1 attorney position was converted to a law clerk position in order to help meet the office's budget reduction. Because the division continues to receive opinions requests at close to past levels, this reduction will make it more difficult for the division to issue opinions in a timely and efficient manner.

OUTCOMES:

Successful representation of the state's interests or the significance and impact of the case is not necessarily reflected in the won-lost record of constitutional litigation or immediately measurable in dollars saved through negotiation and litigation of other claims.

Civil Litigation Division

For example, the Attorney General, through the **Civil Litigation Division**, has devoted substantial resources this biennium to defending the constitutionality of the state's education financing laws in *Skeen v. Randall*. Following a 4 month trial in 1991, the district court struck down the laws as unconstitutional. The case is currently on appeal to the Minnesota Supreme Court, and a decision is anticipated in mid-1993.

Another example is the several year litigation of *DeGidio v. Pung*, a complex federal case in which inmates claimed that the management of tuberculosis at MCF-Stillwater violated their constitutional rights. Plaintiffs' claim for injunctive relief was tried in federal court, and the court denied the plaintiffs' claim. However, the plaintiffs nonetheless argued that the state should pay \$700,000 in attorneys fees on the grounds that DOC had changed its practices because of the lawsuit, and the court awarded plaintiffs almost \$250,000. Following closure of the federal case, the **Civil Litigation Division** settled the state class action for damages arising from the same facts for \$180,000. Only 1 claim (of more than 300) remains from this very complex and long term litigation.

Significant victories achieved by the division during this biennium include *Pike v. Gunyou*, challenging the legislature's Northwest Airlines package and *State v. Davidson*, challenging the constitutionality of the state's obscenity laws. The division has also defended the Legislature's reapportionment plans in 2 cases, *Emison v. Growe* and *Cotlow v. Growe*. *Emison* is currently before the United States Supreme Court.

These cases illustrate that, win or lose, the outcome of constitutional litigation is not a valid measure of performance. Within the limits established by legislative appropriation, and executive decisions regarding the distribution of personnel and resources, the state's position has been and will continue to be aggressively asserted. Unfortunately, however, as *DeGidio* demonstrates, this does not assure victory, and may, even in the case of substantial victory, expose the state to liability for attorneys fees.

Construction Litigation Division

During the biennium, the division handled 45 construction and Superfund claims ranging from \$10,000 to \$60 million. The division saved Minnesota taxpayers more than \$4.4 million by defending against claims by construction contractors seeking excessive compensation for work performed on state projects. For example, the 10 most significant construction claims handled during the biennium totalled \$9.3 million dollars and were settled for less than \$4.9 million. In addition, during this biennium, the division recovered more than \$200,000 from contractors and designers in construction litigation arising from poor workmanship or negligent design. In a number of these cases, the division also obtained agreements from contractors to remedy defective work.

In the *Kummer Landfill* federal Superfund case, the U.S. Environmental Protection Agency had estimated total cleanup cost of \$15 million. Because of strict joint and several liability under the Superfund laws and the EPA's policy of seeking full recovery of non-settling parties, the exposure of Bemidji State University (BSU) in this case was up to \$10 million. The division assisted private counsel in achieving a settlement for BSU of \$2.3 million.

Corrections

The **Corrections Division** handled approximately 151 cases against DOC per year for F.Y. 1991-92 as compared to 85 cases in F.Y. 1990-91. The division attorneys have been consistently successful in persuading the courts to dismiss these cases, and in F.Y. 1991-92, the state paid out only \$750 in damages in 1 case. In addition, in F.Y. 1993, the division has successfully initiated psychopathic personality commitments pursuant to authority provided to the Attorney General's Office in 1992. Since July 1, the division has completed 1 commitment and has several others in process.

Torts Division

During this biennium, the **Torts Division** handled and closed 128 tort lawsuits and 1,413 tort claims. The division paid out \$230,000 on claims with an estimated value of \$3,305,600, thus protecting the state treasury from approximately \$3,075,600 in potential claims. Although the division receives approximately 700 claims per year, only approximately 60 new lawsuits are filed against the state each year. This indicates that the division efficiently resolves most claims at that level before they develop into lawsuits against the state, thus saving the state the significantly higher costs which inevitably result from litigation. In addition, the **Torts Division's** appellate practice has successfully defended and refined the state's immunity from many of the claims and lawsuits involving the operation of the state's parks, the design of state highways, and the parole of state prisoners.

Opinions Division

The office, through the **Opinions Division**, responded to 132 Attorney General opinion requests during the biennium, providing advice to state and local units of government on topics ranging from teacher compensation to judicial appointments to gubernatorial vetoes.

OBJECTIVES:

The objectives of the **Solicitor General's Program** for the 1994 - 1995 biennium and beyond are:

- Protect the state, its agencies, officials and employees from adverse court judgments;
- Where adverse litigation results are likely, limit the extent of the damage to the degree possible;

1994-95 Biennial Budget

PROGRAM: Solicitor General
AGENCY: Attorney General, Office of
 (Continuation)

Attorney General will adhere to the same budget constraints and targeted funding levels as state government agencies.

The Governor also recommends that proposed funding be reduced for revised salary planning estimates.

- Provide high quality litigation representation in a cost effective manner;
- Increase the public safety by accepting appropriate requests to pursue psychopathic personality commitments and by successfully obtaining such commitments;
- Seek recovery from construction contractors and designers who provide poor workmanship or negligent design;
- Provide high quality legal advice to state agencies who have acquired or seek to acquire sites with environmental contamination or which generate hazardous wastes in the course of performing their statutory obligations, thus preventing the state from becoming a defendant in federal Superfund litigation.
- Issue Attorney General opinions to appropriate officials, as required by M. S. 8.05 and 8.07, in a timely and efficient manner.

PROGRAM PLAN:

Because the vast majority of the Solicitor General's Program's resources are devoted to defending the state when it is sued for allegedly violating various constitutional, statutory and contract rights, there will be no reduction in the resources of the program. However, an increase in the number of lawsuits will require state agencies to retain outside counsel to defend such litigation. Although this will increase the cost of litigation for state agencies, it will be necessary in order to provide an effective defense which is consistent with the ethical responsibilities imposed on attorneys by law.

REVENUE:

This program generates dedicated and non-dedicated revenue.

Type:	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Non-dedicated - General	\$600	\$690	\$690	\$725	\$725
Total	\$600	\$690	\$690	\$725	\$725

This program defends the state against millions of dollars in claims brought each year by contractors, individuals and corporations and inmates of state institutions.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: SOLICITOR GENERAL
ACTIVITY: SOLICITOR GENERAL

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,423	1,534	1,896	1,902	1,902	1,837	1,902	1,902	1,837
EXPENSES/CONTRACTUAL SRVCS	154	162	210	171	171	171	171	171	171
MISC OPERATING EXPENSES	26	16	49	47	47	47	47	47	47
SUPPLIES/MATERIALS/PARTS	14	17	16	16	16	16	16	16	16
CAPITAL EQUIPMENT			2	2	2	2	2	2	2
SUBTOTAL STATE OPERATIONS	1,617	1,729	2,173	2,138	2,138	2,073	2,138	2,138	2,073
TOTAL EXPENDITURES	1,617	1,729	2,173	2,138	2,138	2,073	2,138	2,138	2,073
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<65>			<65>
TOTAL GOV'S INITIATIVES						<65>			<65>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,617	1,729	2,173	2,138	2,138	2,073	2,138	2,138	2,073
TOTAL FINANCING	1,617	1,729	2,173	2,138	2,138	2,073	2,138	2,138	2,073
POSITIONS BY FUND:									
GENERAL	26.8	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
TOTAL POSITIONS	26.8	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: GENERAL REDUCTION

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
GENERAL REDUCTION						<998>			<1,001>
TOTAL EXPENDITURES BY ACTIVITY						<998>			<1,001>
GOV'S INITIATIVES:			FUND						
(A) 5% AGENCY REDUCTION			GEN			<998>			<1,001>
TOTAL GOV'S INITIATIVES						<998>			<1,001>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL						<998>			<1,001>
TOTAL FINANCING						<998>			<1,001>
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: SECRETARY OF STATE

PROGRAM

PAGE

SECRETARY OF STATE, OFFICE OF

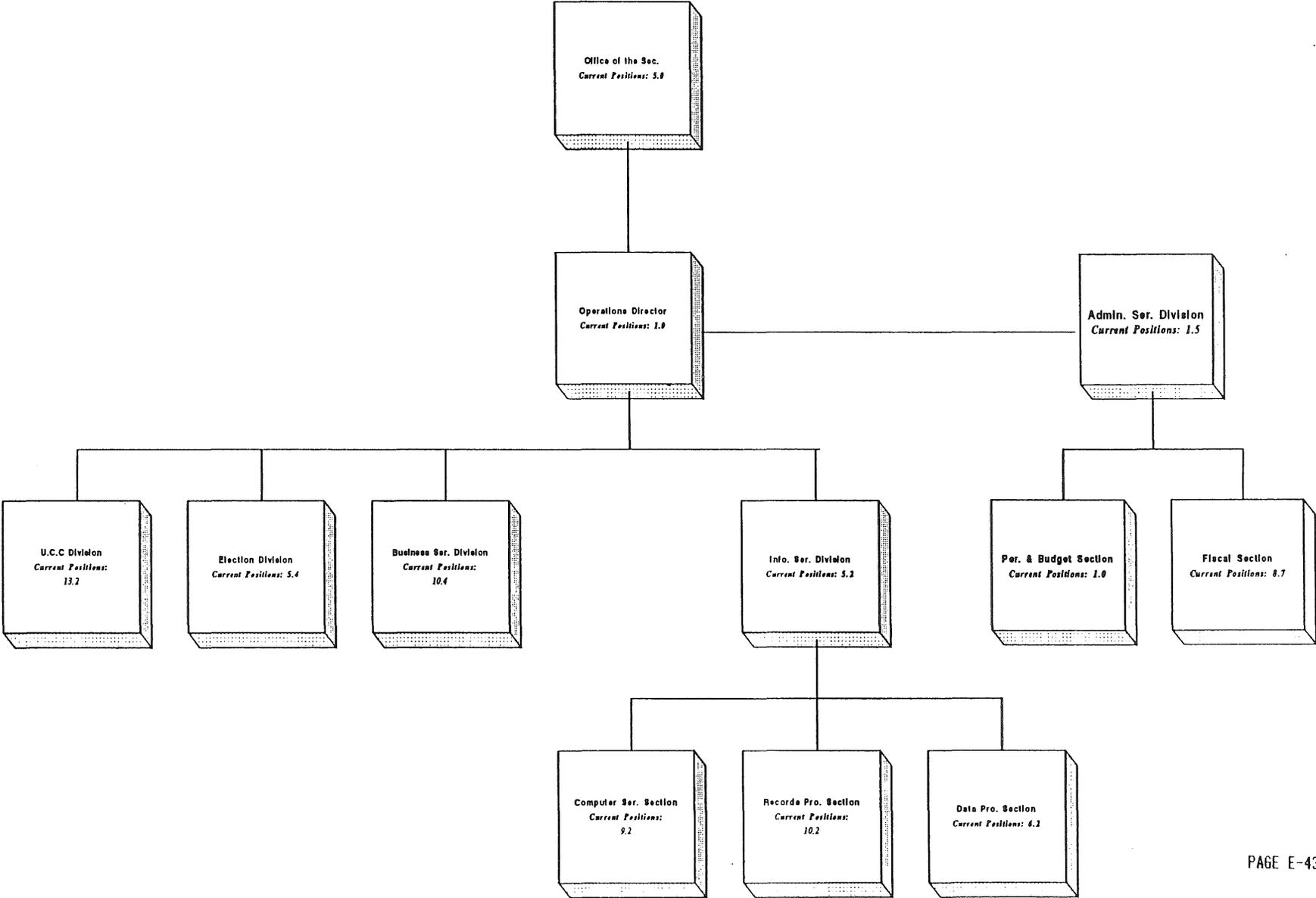
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Operations
Election Administration

E-449
E-451
E-459

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Office of the Secretary of State

Current Position Alignment



Office of Secretary of State
Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	68.5	68.5
Special Revenue	6.0	6.0
Total Permanent Positions	<u>74.5</u>	<u>74.5</u>
Other Complement (FTE)	2.5	2.5
TOTAL Positions	<u>77.0</u>	<u>77.0</u>
Employees on 6/30/92	61.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	55
Full-Time Temporary	5
Part-Time Temporary	<u>1</u>
TOTAL	<u>61</u>

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) 5% REDUCTION	GEN	<255>	<258>	<513>			
(A) SALARY PLANNING ESTIMATES	GEN	<83>	<82>	<165>			
(P) BACK OUT UNFUNDED SALARY SUP & INFLATION	GEN	<178>	<193>	<371>			
(B) BACK OUT--CENTRAL NOTIFICATION LIST PROD	GEN	<93>	<93>	<186>			
(B) BACK OUT--COUNTY EQUIP NEEDS SURVEY	GEN	<50>		<50>			
(B) BACK OUT--UNINTERRUPTABLE POWER SOURCE (UPS)	GEN	<94>		<94>			
(B) BACK OUT--VOTE STICKERS	GEN		<12>	<12>			
TOTAL BY FUND	GEN	<753>	<638>	<1,391>			
TOTAL INVESTMENT INITIATIVES		<753>	<638>	<1,391>			

AGENCY: Secretary of State

MISSION STATEMENT:

The secretary of state serves as the chief election official of the state of Minnesota, where she has a primary responsibility for insuring that elections are administered and conducted in a fair and impartial manner in accordance with the constitutional and statutory requirements of the state.

The office is responsible for maintaining a statewide computer network connecting all 87 county courthouses linking the records of all registered voters, all uniform commercial code transactions and all state and county election results. Minnesota is the only state in the nation with a centralized and on-line statewide computer network which provides Minnesota counties with equal access to business, financial and farm lien transaction processing. The office also assists state and county officials in conducting elections and provides timely reporting of election results at the state level as each precinct is reported to their county auditor.

The Office of the Secretary of State is the official repository for all public documents of the state. It accepts for filing information on all businesses operating in Minnesota and disseminates information to a wide client group including legislators, the general public, business and legal communities, election administrators, national and local press and other governmental entities.

The office values its employees as the most important resource in providing accurate, professional and efficient services in an appropriate and unbiased manner.

The Office of the Secretary of State is organized into one program: secretary of state; and 3 budget activities: administration, operations and elections.

I. SECRETARY OF STATE:

A. Administration:

- Office of the Secretary
 - Administrative Services
 - Fiscal Operations
 - Personnel and Budget

B. Operations:

- Uniform Commercial Code
- Business Services
- Information Services
 - Computer Services
 - Records Processing
 - Direct Access
 - Data Processing

C. Elections:

- Open Appointments
- Public Information
- Official Documents

MINNESOTA MILESTONES:

The Office of the Secretary of State is committed to making resources and quality services accessible to our many customers in a cost effective, efficient, and courteous manner. We provide information on accessing our services and respond to information requests from: law firms, attorneys, legislators, political candidates, financial institutions, grain elevator operators, small business owners, corporate c.e.o.s, the general public, and other state and federal governmental units.

The office has completed a strategic planning process which involved all staff and a number of customer focus groups. The office has successfully refined and clarified its mission and purpose, employee roles and responsibility for implementing the mission and the development of implementation strategies to achieve legislatively mandated responsibilities of the office.

The primary goals of the office for the 1992-93 biennium closely align those of Minnesota Milestones "Government in Minnesota will be cost-efficient and services will be designed to meet the needs of the people who use them." They were:

To Improve Customer Service in order to respond to our customers needs in a timely, accurate and cost effective manner. This was accomplished by first asking our varied customer groups through surveys, focus groups, and other direct interaction what they wanted from this office. They were also asked how we could provide them with more meaningful and better quality services and products.

To increase the productivity of secretary of state employees so that the taxpayers of Minnesota do not experience a reduction in service as a result of the necessity to cut the office budget and reduce the number of office staff. This was accomplished by involving the persons closest to the work (line staff) in a work flow analysis of every job task they were responsible for performing in order to determine how those tasks could be restructured and refined so that they could be performed more efficiently, and unnecessary steps could be eliminated

To reduce the cost of providing mandated services to the citizens of the state of Minnesota in order to meet the statutory mandates within the budgetary limits of the offices appropriation. This was accomplished by eliminating some non-mandated services, partnering with other state agencies to deliver services and examining internal cost savings measures that could be implemented without impacting on the quality of service provided.

CLIMATE:

The decline in the U. S. economy, record numbers of job layoffs, increasing alarm with the growing size of the federal deficit and a general dissatisfaction with the responsiveness of government to the every day concerns and priorities of its citizenry has led to an increasing demand by the citizenry for reductions in taxes and a general anti-government mood among taxpayers. Reduced tax revenue which has forced public policymakers to reduce government spending at a time when the demand for services is at an all time high, has required governmental service providers to continue to find

ways to reduce the total public cost of providing services without reducing access and product quality.

Increasing complexity of election administration: The administration of elections in Minnesota is becoming more complex, as additional election laws are passed and computer technology is applied to such areas as voter registration and the counting of ballots. The result to the office of the secretary of state is an increasing need for technical assistance, more election challenges, and the need to develop more sophisticated training materials for local election officials.

Declining interest in the political process: The decline in public interest in the political process has steadily increased during the past 36 years. This is particularly manifested in a decrease in the number of citizens voting in elections. This national trend is reflected in low voter turnout in

1994-95 Biennial Budget

AGENCY: Secretary of State
(Continuation)

Minnesota, as well as throughout the United States. Failure to reverse this trend has long-term consequences for the future of our democratic form of government. As elected officials seek to reverse this trend, we must begin to consider the potential for fundamental changes in election laws that will be required as we re-think access issues and the way in which we conduct elections today. These changes will impact directly on the way the office of the secretary of state carries out its responsibilities and conducts its work.

Technological changes: The 5 year old 87 county on-line computer network operated by the secretary of state to all county recorders and county auditors is the only one of its kind in the nation. It has allowed Minnesota to be at the cutting edge in providing each county with up to the minute access to state-wide data bases which reduces their cost and improves the quality of services they provide. The rapid pace of technological development in the information processing field has rendered much of the equipment in the county offices outdated and in need of upgrading and/or replacement. Calls to the office help desk seeking assistance with malfunctioning equipment are 4 times higher on a daily basis today than they were 2 years ago.

The capabilities of the statewide system and the increasing demand for new and more sophisticated services such as central notification/farm liens, direct customer access, and election night reporting have outstripped the ability of some of the in-house equipment, as well as the equipment located at the county offices to perform at acceptable levels. The system has crashed on several occasions during the past year and the slowness of the system during heavy use periods by the counties such as redistricting, voter registration and election night reporting are examples of some of the difficulties.

Increased demand for information: At the same time that the availability of funds is shrinking, the demand for information by our many customers is increasing. In part, this is due to the ability of the office to store and access large amounts of information through our computer system and 87 county network which has increased customer expectation and the desire for more sophisticated products like subscriptions (updates only) to the business records and the voter registration data base for election purposes.

AGENCY BUDGET PLAN:

The Office of the Secretary of State has undergone an organizational restructuring as part of the strategic planning process embarked upon in the fall of 1991. The reorganization was finalized after the F.Y. 1992-93 legislative session where budget reductions totaling \$724,000 resulted in fee increases, the termination of a number of grants in aid to counties, the elimination of several election publications and a staff reduction of 3 people. In addition to the 3 layoffs, a management decision was made to abolish 1 vacant management position and to delay the filling of 2 clerical positions that are vacant as a result of parenthood leaves. The organizational structure was also streamlined by having supervisors report directly to the operations director eliminating 1 management layer through which a number of supervisors were previously reporting.

The work processes of each section were examined through a work flow analysis process, tasks were eliminated, simplified and restructured; and work loads were redistributed to accommodate both the temporary and permanent reduction in staff without compromising the quality of service delivered to the customers of the office.

Institution of the above-referenced work efficiencies, office restructuring, and the layoff of

employees in F.Y. 1992 has enabled the office to provide all mandated services with no additional staff and within the office budget allocation during F.Y. 1993.

The office budget priorities are tied to the priorities identified in our 5 year strategic plan:

1. *Improving the quality*, sophistication, and level of service provided to our customers;
2. *Increasing the productivity* of our employees by integrating technology into every aspect of the work process; and
3. *Reducing the cost of providing mandated services* to our customers by partnering with other agencies like the department of revenue and the department of agriculture to deliver services. The office has also taken advantage of new technology like teleconferencing, desk top publishing and the computerization of work processes to lower the cost of training county auditors and other election officials and producing publications.

AGENCY BUDGET BRIEFS AND MANAGEMENT DECISIONS

There are several challenges confronting the Office of the Secretary of State as we face another budget period where revenue short falls are projected.

The unfunded salary supplement and the inflation rate totaling an estimated \$371,000 for the 1994-95 biennium cannot be absorbed by the Office of the Secretary of State without a major reduction in services and additional layoffs of staff. Operations have been streamlined, are efficient and staff is operating at peak productivity levels. Our current resources, human and financial, are now stretched to a point where the ability to provide quality and timely services to our customers is in jeopardy. This is critical because there is a direct correlation between the speed and accuracy with which we are able to process the growing workload and the revenues the office generates to the General Fund. Revenues generated by the Office of the Secretary of State for F.Y. 1992-93 will exceed the appropriation by \$821,000. (This figure would be closer to \$3.0 million, but for the one-time allocations for redistricting and the presidential primary, which obscures the revenue to appropriation ratio.) Approximately \$1.0 million of the F.Y. 1993 appropriation for presidential primary grants in aid will also be returned to the General Fund. The F.Y. 1994-95 budget projects that revenues will exceed the requested appropriation by \$3.0 Million.

Operating and maintaining the aging equipment on the 87 county computer network is a growing concern of the Office of the Secretary of State. Calls to the office help desk from county auditors, recorders and direct access customers are eight times higher today than they were when the system was installed 5 years ago. Callers asking technical questions, reporting equipment breakdowns, and requesting technical assistance with the repair of malfunctioning equipment or rebooting controllers that periodically crash due to power surges and other electrical malfunctions are requiring more and more time of the staff of the secretary's office to respond to. The ability of the statewide system to provide the on-line access to data that it was created to provide is in jeopardy.

Rapid changes in communications technology and increasing computer capabilities have raised user expectations of what the computer system should provide at a time when the aging equipment is degrading network performance. The states voter registration, election night reporting, uniform commercial code system, business records, and after 7-1-93, the new central notification/farm lien system, will all be a part of this on-line system.

A system-wide study and analysis of the hardware being used by the 87 counties is necessary in order to obtain much needed information on the current condition of equipment now in use. The study would cover the projected short term (1 to 5 year) equipment replacement needs of the user community and system enhancements and upgrades needed to fully utilize the benefits and efficiencies of a statewide system that is recognized nationally as state of the art. The office is requesting \$50,000 to conduct the required study, develop a comprehensive Management Information Systems (MIS) plan and make recommendations to the F.Y. 1994 legislature on the most cost

AGENCY: Secretary of State
(Continuation)

effective way to maintain this system in the future.

Uninterruptable Power Source (UPS) for the computer main frame that runs the 87 county system is needed to protect against potentially devastating damage to critical data bases and the system itself caused by lightening strikes and other electrical irregularities. On several occasions during the past year, and on one election night, the office was unable to conduct business because the main frame computer disk crashed following electrical storms. The cost of the UPS system needed to protect the mainframe is \$94,000.

I Voted Stickers that have been passed out to voters during elections have become very popular and much sought after by voters who have proudly displayed the stickers on coat lapels and handbags long after the elections are over. These stickers provide visible evidence of the citizens who take the time to exercise their responsibility in making their voices heard in the elections process. The large turnout during the presidential election resulted in several polling places running out of the stickers. Many irate citizens called the office of the secretary of state requesting and/or registering their dissatisfaction with not receiving a sticker. In the past, the money for these stickers have been raised from private sources. These funds are becoming more difficult to obtain from private donors and the citizenry has grown to expect them as a benefit they can show off when they vote. The cost of the I Voted Stickers is \$ 12,000 for the biennium.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Secretary of State to present its budgetary needs directly to the legislature for consideration. However, the Governor budget recommendations anticipate that the Secretary of State will adhere to the same budget constraints and targeted funding levels as state government agencies. The Governor also recommends that proposed funding be reduced for revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ADMINISTRATION	645	661	796	804	832	782	804	834	782
OPERATIONS	3,371	3,570	4,022	3,950	4,578	4,150	3,918	4,425	4,129
ELECTIONS	586	830	3,317	398	411	391	486	511	479
GENERAL REDUCTION						<255>			<258>
TOTAL EXPENDITURES BY ACTIVITY	4,602	5,061	8,135	5,152	5,821	5,068	5,208	5,770	5,132
GOV'S INITIATIVES:			FUND						
(A) 5% REDUCTION			GEN			<255>			<258>
(A) SALARY PLANNING ESTIMATES			GEN			<83>			<82>
(P) BACK OUT UNFUNDED SALARY SUP & INFLATION			GEN			<178>			<193>
(B) BACK OUT--COUNTY EQUIP NEEDS SURVEY			GEN			<50>			
(B) BACK OUT--VOTE STICKERS			GEN						<12>
(B) BACK OUT--UNINTERRUPTABLE POWER SOURCE (UPS)			GEN			<94>			
(B) BACK OUT--CENTRAL NOTIFICATION LIST PROD			GEN			<93>			<93>
TOTAL GOV'S INITIATIVES						<753>			<638>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,671	4,835	7,845	4,861	5,517	4,764	4,917	5,456	4,818
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	928	225	286	287	300	300	287	310	310
AGENCY	3	1	4	4	4	4	4	4	4
TOTAL FINANCING	4,602	5,061	8,135	5,152	5,821	5,068	5,208	5,770	5,132
POSITIONS BY FUND:									
GENERAL	54.5	56.5	56.5	68.5	68.5	68.5	68.5	68.5	68.5
SPECIAL REVENUE	7.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
TOTAL POSITIONS	61.5	62.5	62.5	74.5	74.5	74.5	74.5	74.5	74.5

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STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: SECRETARY OF STATE

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	8,135	8,135	7,845	7,845	290	290		
TECHNICAL ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<2,830>	<2,830>	<2,830>	<2,830>				
BIENNIAL APPROPRIATIONS	<92>	<4>	<92>	<4>				
NON-RECURRING EXPENDITURES	<88>	<120>	<88>	<120>				
DOCUMENTED RENT/LEASE INC/DEC	9	9	8	8	1	1		
INSURANCE PREMIUM HOLIDAY	13	13	13	13				
PLANT MANAGEMENT REBATES	5	5	5	5				
SUBTOTAL TECH. ADJ.	<2,983>	<2,927>	<2,984>	<2,928>	1	1		
CURRENT SPENDING	5,152	5,208	4,861	4,917	291	291		
FORECAST ADJUSTMENTS								
ANNUALIZING NEW PROG COSTS	241	241	241	241				
DED STAT APPROP SPENDING	13	23			13	23		
SUBTOTAL FORECAST ADJ.	254	264	241	241	13	23		
AGENCY BASE	5,406	5,472	5,102	5,158	304	314		

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Secretary of State
PROGRAM: Secretary of State
ACTIVITY:

ITEM TITLE: Unfunded Salary Supplement and Inflation

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$178	\$193	\$193	\$193
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Office of the Secretary of State to present its budgetary needs directly to the legislature for consideration.

The unfunded salary supplement and the inflation rate totaling an amount of \$371,000 in the Department for the biennium cannot be absorbed by the Office of the Secretary of State without a major reduction in services and additional layoffs of staff. Operations have been streamlined, are efficient and staff is operating at peak productivity levels. Our current resources, human and financial, are now stretched to a point where the ability to provide quality and timely services to customers is in jeopardy. This is critical because there is a direct correlation between the speed and accuracy with which we are able to process the growing workload and the revenues the office generated to the general fund. The F.Y. 1994-95 budget projects that revenues will exceed the requested appropriation by \$3 million dollars.

Not receiving the requested salary supplement, will result in a layoff of staff, which will seriously jeopardize the ability of the Office to provide timely and quality service to customers. If services are not provided there will be a loss of revenue that currently goes directly to the General Fund.

PROGRAM OUTCOMES:

The retention of current staffing levels which were reduced during the 92-93 biennium will allow the Office to continue to receive and process documents at a rate that enables the Office to generate an estimated \$3 million dollars more than is appropriated over the biennium.

LONG-TERM IMPACT:

Continued timely and quality service to the customers of the Office of the Secretary of State.

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1994-95 Biennial Budget

BUDGET ACTIVITY: Administration
AGENCY: Secretary of State

ACTIVITY DESCRIPTION:

Administration provides centralized administrative and management support to office operating divisions by developing and directing the implementation of organizational policies providing management direction, fiscal services, personnel employee relations and training.

1. **OFFICE OF THE SECRETARY** is responsible for overall office policy and management systems development in order to insure that department resources are effectively and efficiently utilized. This office also coordinates legal activity with the Office of the Attorney General and provides support to the secretary in the area of the Executive Council and State Board of Investment.

ADMINISTRATIVE SERVICES is responsible for ensuring that program roles and responsibility for accomplishing office mandates are clear, and that accountability, productivity and program effectiveness can be accurately measured. Administrative services also provides and coordinates the offices management support services through: The fiscal services section, and the personnel/budget section.

FISCAL SERVICES is responsible for handling all incoming mail, receipting and tracking all incoming revenue, and providing the accounting, financial reporting, purchasing, payroll processing, accounts payable, and general accounting functions for the office. The section is responsible for approximately 280,000 money transactions totaling over \$13,000,000 each biennium. This unit ensures compliance with standard accounting principals, state and federal laws, rules, policies and guidelines for appropriate use of fiscal resources.

PERSONNEL AND BUDGET administers the office's personnel and labor relations program including recruitment, selection, classification, and compensation, benefits administration, affirmative action, employee development, and health and safety. This office works to support management's maximum utilization of the human resources required to fulfill the mission and achieve the goals of the office. This office also assists management and fiscal services in the preparation of the biennial budget and annual spending plans.

BUDGET ISSUES:

The administration division has managed to deliver improved services with reduced staff following the office reorganization described in the agency level narrative. The division has also significantly restructured the way the work is done in the fiscal services and personnel and budget sections.

EFFICIENCY MEASURES:

1. A departmental reorganization was planned and implemented which reduced the number of supervisors by 1, and 2 additional line staff personnel. The reorganization and layoffs were accomplished with no union grievances.

2. Improved access, timeliness, quality and accuracy of personnel transactions between the Department of Employee Relations and the Office of the Secretary of State by securing computer access to the personnel/payroll system.
3. Computerized the accounts payable process, and portions of process for receipting money received by the office which was prior to this year handled manually. This has saved staff time, increased productivity and improved the work environment for the employees.
4. Changed the offices programmatic budget structure to more closely align the appropriations and expenditures with the new organizational structure. This resulted in fewer accounts and reduced the number of transactions required by fiscal services.
5. Consistently maintained the percentage of bills paid within 30 days at an average of 99% which exceeds the department of finance goal for the state of Minnesota thus reducing interest penalties for late payments and maintaining a positive relationship with vendors.

REVENUE:

None.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: ADMINISTRATION

ACTIVITY SUMMARY	FY 1993			FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Reconn.	Current Spending	Agency Plan	Governor Reconn.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	470	512	690	693	715	671	693	717	671
EXPENSES/CONTRACTUAL SRVCS	94	94	46	51	51	51	51	51	51
MISC OPERATING EXPENSES	18	24	17	17	17	17	17	17	17
SUPPLIES/MATERIALS/PARTS	28	18	12	12	18	12	12	18	12
CAPITAL EQUIPMENT	35	13	31	31	31	31	31	31	31
SUBTOTAL STATE OPERATIONS	645	661	796	804	832	782	804	834	782
TOTAL EXPENDITURES	645	661	796	804	832	782	804	834	782
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<22>			<22>
(P) BACK OUT UNFUNDED SALARY SUP & INFLATION			GEN			<28>			<30>
TOTAL GOV'S INITIATIVES						<50>			<52>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	645	661	796	804	832	782	804	834	782
TOTAL FINANCING	645	661	796	804	832	782	804	834	782
POSITIONS BY FUND:									
GENERAL	11.5	12.5	12.5	16.5	16.5	16.5	16.5	16.5	16.5
TOTAL POSITIONS	11.5	12.5	12.5	16.5	16.5	16.5	16.5	16.5	16.5

1994-95 Biennial Budget

BUDGET ACTIVITY: Operations
AGENCY: Secretary of State

ACTIVITY DESCRIPTION:

The operations activities include:

1. **Uniform Commercial Code (UCC) and Certification division** which manages the financing records filed under the uniform commercial code. These records contain information on collateral that has been pledged to secure loans and on state and federal tax liens. The division provides information on these records to the lending community for the purpose of determining loan agreements.

The division also provides the following services:

- a. Certified copies and certificates of good standing for corporations, assumed names, limited partnerships, cooperatives, and trademarks.
- b. Notary certificates and apostille certificates on Minnesota notary publics;
- c. Forms for registering articles of incorporation, assumed names, limited partnerships, cooperatives, and trademarks.
- d. The Central Notification System for Farm Product Liens, a computerized database of information on loans from lenders to farmers, was created by the 1992 Legislature to give the agricultural community a centralized and comprehensive information database. Currently in the developmental stage, it is scheduled to become operational 7-1-93.

The creation of the UCC statewide computer network which includes all 87 county recorders and the Office of the Secretary of State has enabled Minnesota to be a leader in centralized access to financing information.

BUDGET ISSUES:

The stressed economy has forced lenders to use more stringent standards when entering into loan agreements which increases UCC filings and places a greater demand on staff for quick information retrieval.

EFFICIENCY MEASURES:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
	ACTUAL #	ESTIMATE	ESTIMATE	ESTIMATE
UCC Records				
Number of Documents Processed	89,433	92,000	94,000	96,000
Number of Days Processing Time	1	1	1	1

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
	ACTUAL #	ESTIMATE	ESTIMATE	ESTIMATE

UCC Searches				
Number of Documents Processed	14,719	15,000	17,000	19,000
Number of Copies Generated	82,976	87,000	91,000	94,000
Number of Days Processing Time	4	2	1	1

Tax Liens				
Number of Requests Processed	4,496	4,800	5,000	5,300
Number of Days Processing Time	1	1	1	1

Certification/Certified Copies				
Number of Requests Processed	19,650	24,000	30,000	35,000
Number of Days Processing Time	3-4	1	1	1

2. **Business Services division** which reviews, approves and files articles of incorporation and amendments for all business, non-profit, foreign, professional, cooperative, banking and insurance companies doing business in the state. It records trademarks, assumed business names, limited partnerships, and limited liability companies. The division also holds copies of the original land survey records of the state and is the agent for substituted service of process on corporations.

BUDGET ISSUES:

The total number of business filings received by Business Services are expected to increase slightly over the next biennium. The trend over the last 40 years has been that growth in the number of filings is not tied to overall economic growth, but instead during tight economic times entrepreneurial business start-ups increase as established businesses trim staff.

Each fiscal year the division serves over 50,000 customers, including 15,000 telephone inquiries and approximately 10,000 customers at the public counter.

SERVICE PROVIDED:	<u>ACT 1992</u>	<u>EST F.Y. 1993</u>	<u>EST F.Y. 1994</u>	<u>EST F.Y. 1995</u>
New Business Incorporations	9,446	9,600	9,650	9,700
Corporate Amendments	13,513	12,500	12,000	12,000
Non-Profit Incorporations	1,433	1,450	1,500	1,500
Foreign Corporations	1,535	1,550	1,600	1,600
Foreign Corp. Amendments	1,670	1,750	1,800	1,800
New Limited Partnership	319	350	375	400
Assumed Name Certificates	14,115	15,000	15,500	16,000
Trademarks	1,585	1,650	1,700	1,750
Service of Process	1,543	1,700	1,725	1,775
Limited Liability Companies*	---	260	520	550
TOTALS	45,159	45,810	46,370	47,075
Staff Assigned to Process Filings	5	4	4	4
Average Filings per Staff	9,032	11,387	11,468	11,631

* effective 1/4/93

1994-95 Biennial Budget

BUDGET ACTIVITY: Operations
AGENCY: Secretary of State
 (Continuation)

3. **Information Services** division manages the computerized information management needs of the customer base of the Office of the Secretary of State. Customers include incumbents and candidates for political office, the legal and financial communities, Minnesota's county auditors and county recorders and the general public. In addition to capturing and disseminating information, the information services Division provides direct access to major data bases.

The Information Services division includes:

- **Computer Services** section which operates and supports the office mainframe and novelle network; operates the help desk phone lines; provides computer programming support, and manages all electronic data storage for information gathered by other divisions and sections of the Office of Secretary of State; voter registration information maintained by Minnesota county auditors; and uniform commercial code system maintained by Minnesota county recorders. The Secretary of State data bases maintained on the system are:
 - **Voter Registration System**
 - **Election Reporting System**
 - **Business Services System**
 - **Uniform Commercial Code (UCC) System**
 - **Central Notification System for Farm Product Liens**

Customers include the staff of the office of secretary of state; state senators, state representatives, and other elected officials in the state of Minnesota; county auditors, county recorders and election officials from all 87 counties; agents of other governmental agencies, such as Department of Revenue, Bureau of Criminal Apprehension, Department of Agriculture, Department of Transportation, Iron Range Resources and Rehabilitation Board, Pollution Control Agency and Internal Revenue Service; and, through our direct computer access project, over 250 private businesses and citizens.

4. **Records Processing** division manages the business information telephone lines to the general public where information is provided to banks and financial institutions, lawyers and law firms and other governmental agencies about businesses that operate in the state.

This section is responsible for annual registrations for foreign and domestic corporations registered to do business in Minnesota. This section also handles all statutory dissolutions of inactive corporations and has dissolved 90,000 Minnesota corporations that have failed to file annual registrations for a 3 year period, making more business names available to the public and providing a more accurate data base.

The section processes revocations of certificates of authority to do business in Minnesota which occur when a foreign corporation fails to file an annual financial report.

PRODUCTIVITY MEASURES:

<u>Annual Reports</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993*</u>	<u>F.Y. 1994*</u>	<u>F.Y. 1995*</u>
Domestic Corporations				
Filed	41,757	70,000	71,000	72,000
Rejected	21,363	25,000	20,000	14,000
Reinstated	8,193	6,000	5,500	5,000
Rejection Rate	30%	25%	20%	15%
Dissolutions	90,000	12,000	11,000	10,000
Foreign Corporations				
Annual Reports Filed	9,418	9,800	10,200	10,500
Fees in Excess of Minimum	\$354,560	\$400,000	\$430,000	\$475,000
Revocations	875	1,000	1,000	1,000
Non-Profit Corporations				
Filed	15,473	16,000	17,000	18,000
Rejected	1,843	1,500	1,400	1,300
Rejection Rate	11%	9%	8%	7%
Legal Newspapers				
Filed	342	350	360	370
Rejected	66	50	45	40
Renewals				
Assumed Names				
Due to Expire	5,388	6,000	7,500	9,000
Renewed	1,103	1,250	1,400	1,700
Trademarks Sent				
	710	750	800	850
Business Information Line				
Incoming Calls	177,587	185,000	200,000	210,000

* figures accurate to 11/30/92 and estimated to 6/30/93

5. **Direct Access** division provides 24 hour access to the business and uniform commercial code data bases maintained by the Office of the Secretary of State. This service is available to any customer for a fee who has access to a personal computer and a modem. It enables individuals to view the office's computerized records from their computer terminal in their home or office.

<u>User Type</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Paid Subscribers	329	346	471	563
Unpaid Trial Subscribers (4 weeks)	435	460	580	675

6. **Data Processing** division has primary responsibility for:

- a. Ensuring the accuracy and integrity of the data bases maintained by entering accurate data on

1994-95 Biennial Budget

BUDGET ACTIVITY: Operations
AGENCY: Secretary of State
 (Continuation)

a daily basis into the computer system on domestic and foreign corporations, non-profit corporations, limited partnerships, trademarks, assumed business names, business trusts, reservations of names, state and federal tax liens and uniform commercial code documents so that all data is accurate, current and available on a daily basis. The information is available to each of the 87 counties in the state.

b. Sale to the public of lists, tables, diskettes or tapes compiled from the computerized voter registration records. This information is protected by law and can only be provided to political candidates seeking elective office, for political activities, or for law enforcement purposes. The information is available on paper, magnetic tape, diskettes and labels.

The election results are compiled by precinct in the legislative district and county in which they appear. Offices included are U.S. senator, U.S. representative, all constitutional offices, state senator, state representative, and the constitutional amendment.

Turnaround time for business lists are 24 hours from the time we receive the request. Also, turnaround time for voter registration information is approximately 2 to 3 days, but can change due to the volume and type of elections occurring.

PRODUCTIVITY MEASURES:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
<u>Records - Data Entered</u>				
Business Service Records	52,353	56,000	59,000	60,000
Business Services Corrections	4,197	5,400	5,500	5,500
Uniform Commercial Code (UCC)	89,422	90,000	92,000	93,000
UCC Corrections	5,974	5,600	5,800	5,900

<u>Records - Lists Sold</u>				
Voter Registration Lists/Labels/Tapes	284	660	250	350
Log Printouts	2,686	2,400	2,500	2,700
Business Services Tapes	14	10	15	17
Business Services Lists/Labels	137	125	130	145

REVENUE:

This activity generates dedicated and non-dedicated revenue.

Type of Revenue:	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Non-dedicated - Gen'l					
Uniform Commercial Code	860	825	891	1,022	961
Business Services	2,962	3,168	3,160	3,190	3,199
Information Services	<u>2,011</u>	<u>2,185</u>	<u>2,334</u>	<u>2,407</u>	<u>2,440</u>
Total Gen'l	5,833	6,178	6,385	6,619	6,600
Dedicated - Special					
	<u>62</u>	<u>206</u>	<u>227</u>	<u>300</u>	<u>310</u>
Total Special	62	206	227	300	310

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: OPERATIONS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,630	1,643	1,639	1,648	1,840	1,727	1,648	1,849	1,731
EXPENSES/CONTRACTUAL SRVCS	470	521	726	645	752	658	613	673	629
MISC OPERATING EXPENSES	313	370	390	390	438	417	390	442	421
SUPPLIES/MATERIALS/PARTS	258	114	126	126	241	135	126	248	135
CAPITAL EQUIPMENT	675	913	1,132	1,132	1,298	1,204	1,132	1,204	1,204
OTHER	25	9	9	9	9	9	9	9	9
SUBTOTAL STATE OPERATIONS	3,371	3,570	4,022	3,950	4,578	4,150	3,918	4,425	4,129
TOTAL EXPENDITURES	3,371	3,570	4,022	3,950	4,578	4,150	3,918	4,425	4,129
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<54>			<53>
(P) BACK OUT UNFUNDED SALARY SUP & INFLATION			GEN			<137>			<150>
(B) BACK OUT--COUNTY EQUIP NEEDS SURVEY			GEN			<50>			
(B) BACK OUT--UNINTERRUPTABLE POWER SOURCE (UPS)			GEN			<94>			
(B) BACK OUT--CENTRAL NOTIFICATION LIST PROD			GEN			<93>			<93>
TOTAL GOV'S INITIATIVES						<428>			<296>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,442	3,344	3,735	3,662	4,277	3,849	3,630	4,114	3,818
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	928	225	286	287	300	300	287	310	310
AGENCY	1	1	1	1	1	1	1	1	1
TOTAL FINANCING	3,371	3,570	4,022	3,950	4,578	4,150	3,918	4,425	4,129

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
 PROGRAM: SECRETARY OF STATE
 ACTIVITY: OPERATIONS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
POSITIONS BY FUND:									

GENERAL	38.0	39.0	39.0	47.0	47.0	47.0	47.0	47.0	47.0
SPECIAL REVENUE	7.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	45.0	45.0	45.0	53.0	53.0	53.0	53.0	53.0	53.0

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Secretary of State
PROGRAM: Secretary of State
ACTIVITY: Operations

ITEM TITLE: County Equipment Needs Study

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$50	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Office of the Secretary of State to present its budgetary needs directly to the legislature for consideration.

The effective operation and maintenance of the aging equipment on the 87 county computer network is a growing concern of the Office of the Secretary of State. Calls to the office help desk from county auditors, recorders and direct access customers are eight times higher today than they were when the system was installed five years ago. The increased calls that result from increasingly complex technical questions, equipment failures and the need to reboot controllers that periodically crash due to power surges and other electrical malfunctions are requiring more and more time of the staff to respond to. The ability of the statewide system to provide the on-line real time access to data that it was created for, is in jeopardy. Rapid changes in communications technology and increasing computer capabilities have raised user expectations of what the main frame computer system should provide at a time when the aging peripheral equipment is degrading network performance. The states voter registration, election night reporting, uniform commercial code system, business records, and after July 1, 1993, the new central notification/farm lien system, will all be a part of this on-line system. A system-wide study and analysis of the hardware being used by the 87 counties is necessary in order to obtain much needed information on the current condition of equipment now in use. The study would cover the projected short term equipment replacement

needs of the user community and system enhancements and upgrades needed to enable the counties to fully utilize the benefits and efficiencies of a statewide system that is recognized nationally as state of the art. The Office is requesting \$50,000 to conduct a comprehensive study of the status of equipment in the county offices and then develop a statewide management information systems (MIS) plan with recommendations to address the problems of aging hardware, the cost of equipment replacement and equipment types that insure an optimum interface and compatibility with the office main frame. Recommendations to the 1993 legislature will be presented on the findings, projected costs and the most cost effective way to maintain this system.

The states 87 county voter registration, business services and UCC on-line data base networks and hardware was created and funded by the legislature 5 years ago. The equipment used by the counties is aging and beginning to deteriorate. It has become outdated and in some cases is unable to perform compatible with current levels of main frame software. Some of the equipment needs replacement now and most of it will need to be replaced in the next few years. The study would provide up to date information on the status of all equipment currently being used by the county recorders and auditors. It would also enable the office to develop a comprehensive systems plan for future equipment purchases for the 87 county network. The policymakers need to have accurate up-to-date information and recommendations in order to make decisions on the most cost effective way to maintain the quality and integrity of the system hardware in the future.

PROGRAM OUTCOMES:

The study would provide an accurate assessment of the immediate equipment replacement needs of the user community and any suggested system enhancements and upgrades needed to fully utilize the benefits and efficiencies of the statewide system. It would also provide the information necessary to develop a long term comprehensive 87 county management information systems (MIS) plan and make recommendations to the 1993 Legislature on the most cost effective way to keep the system updated and to maintain it in the future.

LONG-TERM IMPACT:

The study would provide us with a comprehensive management information systems (MIS) plan on the most cost effective way to replace equipment and maintain the integrity of this system in the future.

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Secretary of State
PROGRAM: Secretary of State
ACTIVITY: Operations

ITEM TITLE: Uninterruptable Power Source

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$94	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Office of the Secretary of State to present its budgetary needs directly to the legislature for consideration.

We need to purchase an uninterruptable power source (UPS) for the computer main frame that runs the office novelle network, and the 87 county network system. The UPS is needed to protect against potentially devastating damage to system storage disks, data bases and the other computer system components that can occur in the presence of lightening strikes and other electrical irregularities. On several occasions during the past year, and on one election night, the office was unable to conduct business for one to two full work days, because the main frame computer disk crashed following a sudden loss of power during electrical storms. The UPS system needed to protect our main frame computer will cost \$94,000.

The Office of the Secretary of State cannot conduct its business when the computer system is down. We have a potentially critical situation which would be remedied by the purchase of a UPS. The UPS system protects the computer system from any electrical irregularities and allows for an orderly shutdown. We have been fortunate that no serious damage to our main frame computer system has occurred. As our office and the 87 county network become more reliant on data bases on the mainframe to conduct the business of the office it is imperative that we protect the states investment

in the main frame and protect against the loss of data and valuable time lost due to system shutdowns.

PROGRAM OUTCOMES:

The ability to provide consistent service to our clientele without unnecessary system downtime and to control to the extent possible any potential damage to our equipment and data bases.

LONG-TERM IMPACT:

The ability to provide predictable quality and up-to-date service to the customers of the Office of the Secretary of State.

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Secretary of State
PROGRAM: Secretary of State
ACTIVITY: Operations

ITEM TITLE: Central Notification List Production

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$93	\$93	\$93	\$93
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Office of the Secretary of State to present its budgetary needs directly to the legislature for consideration.

The costs for list production and distribution under the Farm Lien/Central Notification System are being requested for the first time in the F.Y. 1994-95 Budget. These costs were not included in the initial appropriation request because the actual production of lists would not occur until the first date for filing of these liens, which will be July 1, 1993. We are requesting funds to create the lists on computer output to microfiche (COM). We will need \$44,000 in printing costs, \$21,000 in communications (postage), and \$28,000 in supplies for envelopes, mailers, and diskettes.

We are required by law to provide these lists. They are the main product of the Central Notification System.

PROGRAM OUTCOMES:

This new program allows lending institutions a way to collect on loans granted when the collateral used is crops and livestock.

LONG-TERM IMPACT:

The Central Notification System allows for a consistent delivery of information to lending institutions and buyers in the agricultural community allowing farmers/livestock handlers better access to loans.

1994-95 Biennial Budget

BUDGET ACTIVITY: Election Administration
AGENCY: Secretary of State

ACTIVITY DESCRIPTION:

The Election Division is the lead agency responsible for the administration of the constitutional and statutory duties of the Secretary of State related to elections, open appointments, public information and official documents. The objectives of these activities are: to insure that elections are conducted honestly and fairly and in conformance with the Minnesota election law; to provide Minnesota residents with an opportunity for meaningful public participation in government by making available to the public information on agencies seeking persons to serve on state councils, boards and commissions; to prepare official publications on elections and government in Minnesota for the general public; and to preserve official documents, as well as making them readily available to the public.

This division houses the following activities:

1. **Elections** which provides guidance on election-related matters to 3,200 local election officials and 20,000 election judges. The division is also responsible for supervision of elections for the Public Employees Retirement Association board of trustees and the Minnesota Indian Affairs Council. The Division responds to requests for information from local election officials, legislators and legislative staff, other state agencies, candidates for public office, the news media and the general public.
2. **Open Appointments** which prepares an annual report to the governor and the legislature on the appointments made to state councils, boards and commissions under the Open Appointments Act, including those agencies voluntarily choosing to use the open appointments process. The section advertises vacancies on state councils, boards and commissions in the State Register once every month, inviting the public to apply for vacant positions. The section also prepares and mails a monthly listing of vacancies to over 1,500 persons. Staff works with the governor's office and other appointing authorities in determining when vacancies will occur, processing applications and advising appointing authorities on the appointments process generally.
3. **Public Information** publishes the **Minnesota Legislative Manual**, which has served as the official record of state government since 1859; the **Minnesota Legislative Manual: Abridged Edition**, which is distributed for classroom use in the public schools; **Minnesota Election Results**, which records the results of the state primary and state general election; and **Minnesota Elected Officials**, which is a compilation of all state, federal and county elected officials in Minnesota. Each publication is published biennially.
4. **Official Documents** is responsible for preservation of the following documents: bills signed into law by the governor, oaths of state elected and appointed officials, executive appointments, orders and proclamations of the governor, extradition orders, administrative rules adopted by state agencies and delegations of authority. Approvals of special laws by local governing bodies, municipal ordinances, official copies of the decennial census and other public documents are also preserved by the section. The section responds to requests for information from government

officials, the news media and from the general public concerning the status of official public documents. All official documents are made available for public inspection.

BUDGET ISSUES:

1. The administration of elections in Minnesota is becoming increasingly complex, as additional laws are passed and computer technology is being applied to such areas as voter registration and the counting of ballots. The result of these developments is an increasing need for technical assistance for local election officials which is provided by the division.
2. Reductions in available funding for public sector activities generally will continue to have an effect on the resources available for election administration at both the state and local levels. The result of this development is a continuing need to reduce the total public costs of conducting elections.
3. The number of persons seeking appointment to state councils, boards and commissions is rising rapidly, increasing by approximately 35% during the 1992-1993 biennium. The number of state agencies that are required to appoint public members under the open appointments law is also increasing.

EFFICIENCY MEASURES:

The objective of the Division for the 1994-1995 biennium is to reduce the administrative and material costs associated with the administration of elections while at the same time maintaining or improving the existing level and quality of services. To achieve this objective, the division plans to make more extensive use of video conferencing and other video materials to provide information on election laws and procedures to local election officials, increase the number of documents prepared camera-ready by the division, permit local election officials to place their orders for these documents through a state contract and revise administrative rules to simplify required election documents to make them less expensive to prepare.

The section processed approximately 5,000 open appointment applications from persons desiring appointment to positions on over 200 state councils, boards and commissions during the 1992-1993 biennium. This represented an increase of approximately 35% over the number of applications processed in the previous biennium.

REVENUE:

This activity generates non-dedicated revenue.

	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Type of Revenue:					
Non-dedicated - Gen'l	1	13	59	1	25

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: ELECTIONS

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	187	266	222	223	230	216	223	230	216
EXPENSES/CONTRACTUAL SRVCS	155	220	243	116	116	116	212	224	212
MISC OPERATING EXPENSES	22	35	29	32	32	32	24	24	24
SUPPLIES/MATERIALS/PARTS	46	21	13	9	15	9	9	15	9
CAPITAL EQUIPMENT	84	113	15	15	15	15	15	15	15
SUBTOTAL STATE OPERATIONS	494	655	522	395	408	388	483	508	476
LOCAL ASSISTANCE	92	175	2,795	3	3	3	3	3	3
TOTAL EXPENDITURES	586	830	3,317	398	411	391	486	511	479
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<7>			<7>
(P) BACK OUT UNFUNDED SALARY SUP & INFLATION			GEN			<13>			<13>
(B) BACK OUT--VOTE STICKERS			GEN						<12>
TOTAL GOV'S INITIATIVES						<20>			<32>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	584	830	3,314	395	408	388	483	508	476
STATUTORY APPROPRIATIONS:									
AGENCY	2		3	3	3	3	3	3	3
TOTAL FINANCING	586	830	3,317	398	411	391	486	511	479

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: ELECTIONS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
POSITIONS BY FUND:									
GENERAL	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL POSITIONS	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Secretary of State
 PROGRAM: Secretary of State
 ACTIVITY: Operations

ITEM TITLE: Vote Stickers

PROGRAM OUTCOMES:

To provide voting citizens of the state of Minnesota with a means to communicate that they have voted.

LONG-TERM IMPACT:

Same as Program Outcomes.

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$12	\$-0-	\$12
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

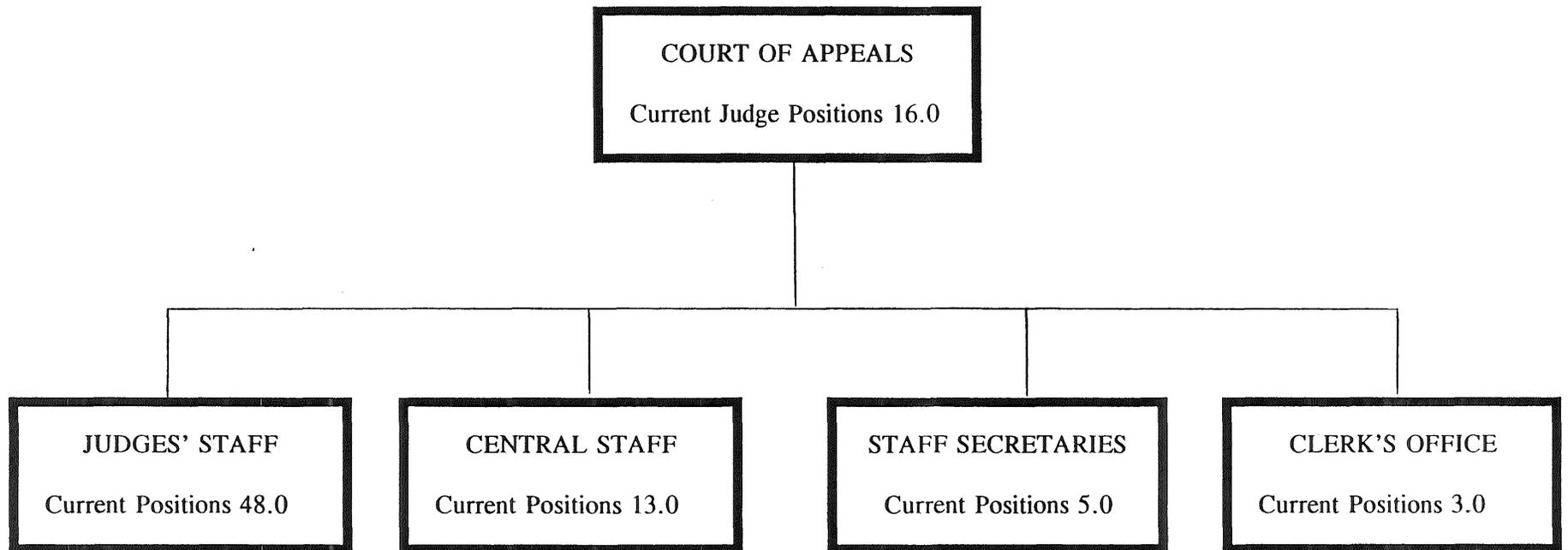
Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Office of the Secretary of State to present its budgetary needs directly to the legislature for consideration.

"I VOTED" stickers have been passed out to voters during elections and have become very popular and much sought after by voters who have proudly displayed the stickers on coat lapels and handbags long after the elections are over. These stickers provide visible evidence of the citizens who take the time to exercise their responsibility in making their voices heard in the elections process. Many irate citizens have called the Office of the Secretary of State when polling places have not had these stickers, requesting and/or registering their dissatisfaction with not receiving a sticker. In the past, the money for these stickers has been raised entirely from private sources. These funds are becoming more difficult to obtain from private donors and the citizenry has grown to expect the stickers as a benefit they can show off when they vote. The cost of the "I VOTED" stickers is \$12,000 for the biennium.

The people who have made their voices heard, like to have visible evidence that they have exercised their constitutional right and civic duty to vote. It is a very inexpensive way to service the public needs.

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COURT OF APPEALS ORGANIZATION CHART
Current As Of 11/1/92



Court of Appeals

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	<u>85.0</u>	<u>85.0</u>
Total Permanent Positions	<u>85.0</u>	<u>85.0</u>
TOTAL Positions	<u>85.0</u>	

Employees by Employment Status:
--

	<u>6/30/92</u>
Full-Time Unlimited	77.0
Part-Time Unlimited	2.0
Part-Time Temporary	5.0
TOTAL	<u>84.0</u>

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: COURT OF APPEALS

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) SALARY PLANNING ESTIMATES	GEN	<150>	<150>	<300>			
TOTAL BY FUND	GEN	<150>	<150>	<300>			
TOTAL INVESTMENT INITIATIVES		<150>	<150>	<300>			

1994-95 Biennial Budget

AGENCY: Court of Appeals

MISSION:

The Court of Appeals strives to adjudicate expeditiously all appeals from the trial courts, except first degree murder cases and legislative election contests, and from most administrative agency appeals. The court is charged with correcting error in those appealed decisions. The court complies with the statutory mandate to dispose of cases within 90 days of hearing or submission on briefs. The court in 1991 has achieved a median case processing time of 152 days from filing to dispositional order or opinion. The records of the Court of Appeals are maintained by the office of the Clerk of Appellate Courts in the Minnesota Judicial Center. To provide convenient access to litigants, the court hears cases at its chambers in the Minnesota Judicial Center, Ramsey County, and in each of the 9 other judicial districts.

OUTCOMES:

	<u>C.Y. 1991</u>	<u>C.Y. 1992</u>	<u>C.Y. 1993</u>	<u>C.Y. 1994</u>	<u>C.Y. 1995</u>
Cases filed	2,308	2,306	2,310	2,310	2,310
Median time from filing to deposition	152	152	152	152	152

AGENCY BUDGET PLAN:

After reviewing its budget the Court of Appeals has determined that the current budget amount is required to deliver effective appellate services. No additional funding is requested.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Court of Appeals will receive no additional funds in 1994-95. Furthermore, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: COURT OF APPEALS
PROGRAM: COURT OF APPEALS
ACTIVITY: COURT OF APPEALS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,879	4,303	4,511	4,440	4,440	4,290	4,440	4,440	4,290
EXPENSES/CONTRACTUAL SRVCS	539	1,014	963	1,034	1,034	1,034	1,034	1,034	1,034
MISC OPERATING EXPENSES	173	89	140	140	140	140	140	140	140
SUPPLIES/MATERIALS/PARTS	176	56	61	61	61	61	61	61	61
CAPITAL EQUIPMENT	345	12	146	25	25	25	25	25	25
SUBTOTAL STATE OPERATIONS	5,112	5,474	5,821	5,700	5,700	5,550	5,700	5,700	5,550
TOTAL EXPENDITURES	5,112	5,474	5,821	5,700	5,700	5,550	5,700	5,700	5,550
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<150>			<150>
TOTAL GOV'S INITIATIVES						<150>			<150>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	5,112	5,473	5,821	5,700	5,700	5,550	5,700	5,700	5,550
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS		1							
TOTAL FINANCING	5,112	5,474	5,821	5,700	5,700	5,550	5,700	5,700	5,550
POSITIONS BY FUND:									
GENERAL	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0
TOTAL POSITIONS	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: COURT OF APPEALS

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	5,821	5,821	5,821	5,821				
TECHNICAL ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<221>	<221>	<221>	<221>				
INSURANCE PREMIUM HOLIDAY	15	15	15	15				
PLANT MANAGEMENT REBATES	71	71	71	71				
1992 SESSION REDUCTIONS	14	14	14	14				
SUBTOTAL TECH. ADJ.	<121>	<121>	<121>	<121>				
CURRENT SPENDING	5,700	5,700	5,700	5,700				
AGENCY BASE	5,700	5,700	5,700	5,700				

1994-95 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: DISTRICT COURTS

PROGRAM

PAGE

TRIAL COURTS

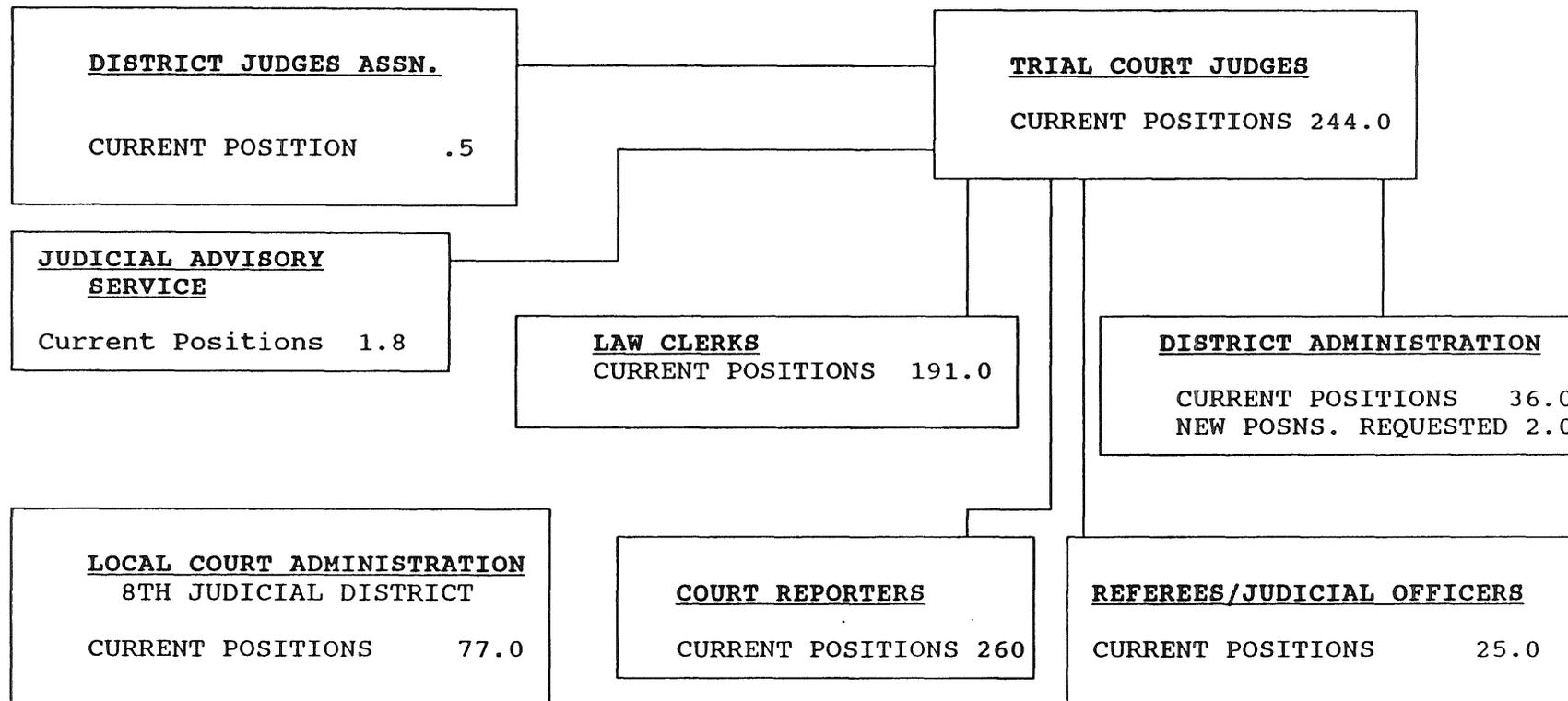
E-476

EIGHTH JUDICIAL DISTRICT BUDGET

E-478

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TRIAL COURTS ORGANIZATION CHART
CURRENT AS OF 11/1/92



Trial Courts Judges and Staff
Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	835.3	837.3
Total Permanent Positions	<u>835.3</u>	<u>837.3</u>
TOTAL Positions	<u>835.3</u>	<u>837.3</u>

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	800.3
Part-Time Unlimited	21.0
Part-Time Temporary	<u>1.0</u>
TOTAL	822.3

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: DISTRICT COURTS

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) SALARY PLANNING ESTIMATES	GEN	<1,763>	<1,763>	<3,526>			
(B) BACK OUT ADDITIONAL STAFF-DISTRICT COURT	GEN	<69>	<69>	<138>			
(B) BACK OUT SUPP 1/2 PER DIEM JURY FEES	GEN	<271>	<271>	<542>			
TOTAL BY FUND	GEN	<2,103>	<2,103>	<4,206>			
TOTAL INVESTMENT INITIATIVES		<2,103>	<2,103>	<4,206>			

1994-95 Biennial Budget

AGENCY: District Courts

MISSION:

The trial courts of the state are charged with the constitutional responsibility of adjudicating fairly and expeditiously all civil and criminal legal disputes brought before them by private parties and governmental agencies.

Judges are elected within a judicial district to hear and decide cases. They are subject to the assignment power of the Chief Judge or Chief Justice and may be assigned to hear cases in a county other than the site of their chambers as workload demands. Judges generally travel among the several counties in their judicial district to dispose of cases, or they may travel to another district to assist with the caseload. Travel costs and certain office expenses specified by statute are reimbursed by the state.

Judicial District Administrators are assigned to each of the judicial districts and work with the judges, lawyers and local court administrators to expedite the caseload and to improve court management and administrative procedures.

The Executive Secretary for the District Judges Association and Director of the Judicial Advisory Service assists the district judges in fulfilling the statutory mandate of M.S. 484.33 to meet and revise the rules of practice in the district courts. The Executive Secretary plans for and coordinates the activities of the meetings of the district judges, keeps association minutes, and informs judges of organizational concerns. The Judicial Advisory Service staff perform legal research on issues of statewide importance to the judges.

Law clerks are provided according to a statutory formula to perform legal research for trial court judges in individual cases. Court reporters create the record of courtroom proceedings and serve as secretaries to individual judges.

In order to assure a more uniform delivery of judicial services, the state funds the salaries and certain statutorily defined expenses of all trial court judges, trial court law clerks, court reporters, referees and the operations of judicial district administration staff. The state funds the operating expenses of the local court administrators' offices, responsible for court records and daily court operations, in the 13 counties of the Eighth Judicial District in West Central Minnesota. The state also funds jury costs statewide.

PROSPECTS:

Issues of concern for trial courts include:

1. Increasing criminal caseloads statewide and a shortage of judges in urban and suburban areas. The weighted caseload is being updated. Results will be available in March 1993.
2. Judicial, legislative and public emphasis on efforts to reduce trial courts backlog and delay.
3. Reduced resources for trial court functions at the state and county levels at a time when litigation is becoming increasingly complex.

4. The judicial branch adheres to its recommendation to transfer court administration staff from county to state funding whenever state resources can provide adequate and stable funding to foster uniform service delivery statewide.

LEGISLATIVE INITIATIVES:

As an alternative to the jury fee increase request, the trial courts will request authority to establish the jury per diem and mileage rate.

AGENCY BUDGET PLAN:

The trial courts are requesting the base budget amount for the F.Y. 1994-95 biennium with the addition of \$24,000 for a secretarial position and \$43,000 for a deputy administrator position and \$271,000 annually for supplemental jury fee budget.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the District Courts will receive no additional funds in 1994-95. Furthermore, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: DISTRICT COURTS

PROGRAM RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TRIAL COURTS	28,094	42,131	58,254	57,007	57,347	55,317	57,007	57,347	55,317
8TH JUD DIST BUDG	3,524	2,668	3,486	3,069	3,069	2,996	3,069	3,069	2,996
TOTAL EXPENDITURES BY PROGRAM	31,618	44,799	61,740	60,076	60,416	58,313	60,076	60,416	58,313
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	30,875	44,798	61,740	60,076	60,416	58,313	60,076	60,416	58,313
STATUTORY APPROPRIATIONS:									
GENERAL	743								
SPECIAL REVENUE		1							
TOTAL FINANCING	31,618	44,799	61,740	60,076	60,416	58,313	60,076	60,416	58,313
POSITIONS BY FUND:									
GENERAL	589.0	827.5	827.5	835.3	837.3	835.3	835.3	837.3	835.3
TOTAL POSITIONS	589.0	827.5	827.5	835.3	837.3	835.3	835.3	837.3	835.3

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: DISTRICT COURTS

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	61,740	61,740	61,740	61,740				
TECHNICAL ADJUSTMENTS								
BIENNIAL APPROPRIATIONS	<2,367>	<2,367>	<2,367>	<2,367>				
BASE TRANSFER (BTWN AGENCIES)	421	421	421	421				
INSURANCE PREMIUM HOLIDAY	158	158	158	158				
1992 SESSION REDUCTIONS	124	124	124	124				
SUBTOTAL TECH. ADJ.	<1,664>	<1,664>	<1,664>	<1,664>				
CURRENT SPENDING	60,076	60,076	60,076	60,076				
AGENCY BASE	60,076	60,076	60,076	60,076				

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PROGRAM: Trial Courts
AGENCY: District Courts

PROGRAM PURPOSE:

In order to provide a uniform adjudicative structure for the judicial branch of government, the state funds the salaries and expenses of judges, referees, law clerks, and court reporters statewide. In addition the state currently funds the salaries and operating costs of the district administration offices and jury costs statewide.

The state is divided into 10 judicial districts, each of which has a district administrator whose responsibilities include assisting the chief judge of the district in the performance of administrative duties, managing the administrative affairs of the courts of the judicial district, and supervising the court administrators and other support personnel, except court reporters who serve in the courts of the judicial district.

Law Clerks assist judges throughout the state in reviewing case files and assessing the status of the case to insure that rule and statutory requirements have been followed, preparing memoranda of law concerning the legal issues presented in a case or certain aspects of a case, drafting proposed jury instructions, court orders, or memoranda in support of orders for court approval. The law clerks may in some instances perform court room functions such as swearing witnesses, drawing juror names, collecting fines and bail.

Court reporters serve judges by creating a verbatim record of proceedings in the courtroom and as secretaries.

The weighted caseload analysis shows a need for additional judges in the urban and suburban areas statewide. The Supreme Court has transferred all of the judges in excess of the need indicated by the weighted caseload study so that any additional resources for a particular district must come from new judgeships.

OUTCOMES:

In Minnesota the trial courts processed 2 million cases in 1991. Of those cases, 9% were major civil or criminal cases which comprise 77% of the judicial workload. Over the past 4 years gross misdemeanor cases, for which a person could be incarcerated for up to 1 year, increased 35% statewide. Felonies which carry even stiffer penalties increased 25% during the same period. The Legislature required the courts to prepare case processing plans and meet stringent time standards in criminal cases by 1994. The courts are disposing of 61% of felony and 80% gross misdemeanor cases in 4 months instead of the 90% set forth in statute. The importance of expeditious handling of criminal cases is underscored by the 1988 State Planning Agency study of sentencing effectiveness which found that the single most effective deterrent to recidivism is swift imposition of sanctions by the court. Minnesota's trial courts have made delay reduction and improved case management a top priority since 1984. Caseloads have grown substantially over that period. Yet progress has been made in moving many cases more quickly through the system. More progress is needed to move closer to meeting the case processing time standards and to absorb further caseload increases will require new resources.

OBJECTIVES:

TRIAL COURT CASE TIMING OBJECTIVES
Number of Months from Filing to Disposition

<u>Case Type</u>	<u>Percent of Cases Disposed</u>		
	<u>90%</u>	<u>97%</u>	<u>99%</u>
Felony	4	6	12
Gross Misdemeanor	4	6	12
General Civil	12	18	24
Probate	18	21	24
Family			
Dissolution	12	18	24
Support	6	9	12
Adoption	4	6	12
Other Family	12	18	24
Domestic Abuse	2	3	4
Juvenile	3	5	6

PROGRAM PLAN:

In order to perform additional administrative, personnel and budgeting functions, the trial courts are requesting additional funding and 2.0 positions for judicial district administration offices and additional funding for jury fees necessary to provide a full per diem (rather than half-day pay) for jurors in Hennepin and Ramsey Counties. In the alternative, the trial courts request the authority to establish the rate of pay for jurors in order to bring the costs within the dollars available.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the District Courts will receive no additional funds in 1994-95. Furthermore, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: DISTRICT COURTS
PROGRAM: TRIAL COURTS
ACTIVITY: TRIAL COURTS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	26,642	40,391	50,060	49,966	50,035	48,276	49,966	50,035	48,276
EXPENSES/CONTRACTUAL SRVCS	146	597	4,987	4,672	4,943	4,672	4,672	4,943	4,672
MISC OPERATING EXPENSES	718	781	1,464	1,441	1,441	1,441	1,441	1,441	1,441
SUPPLIES/MATERIALS/PARTS	191	198	475	481	481	481	481	481	481
CAPITAL EQUIPMENT	272	123	1,268	447	447	447	447	447	447
SUBTOTAL STATE OPERATIONS	27,969	42,090	58,254	57,007	57,347	55,317	57,007	57,347	55,317
LOCAL ASSISTANCE	125	41							
TOTAL EXPENDITURES	28,094	42,131	58,254	57,007	57,347	55,317	57,007	57,347	55,317
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<1,690>			<1,690>
(B) BACK OUT ADDITIONAL STAFF-DISTRICT COURT			GEN			<69>			<69>
(B) BACK OUT SUPP 1/2 PER DIEM JURY FEES			GEN			<271>			<271>
TOTAL GOV'S INITIATIVES						<2,030>			<2,030>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	28,094	42,131	58,254	57,007	57,347	55,317	57,007	57,347	55,317
TOTAL FINANCING	28,094	42,131	58,254	57,007	57,347	55,317	57,007	57,347	55,317
POSITIONS BY FUND:									
GENERAL	495.5	750.5	750.5	758.3	760.3	758.3	758.3	760.3	758.3
TOTAL POSITIONS	495.5	750.5	750.5	758.3	760.3	758.3	758.3	760.3	758.3

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: District Courts
 PROGRAM: Trial Courts
 ACTIVITY:

ITEM TITLE: Jury Fees and Administrative Staff

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$340	\$340	\$340	\$340
GOVERNOR'S RECOMMENDATION				
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration.

The trial courts are requesting one secretarial and one professional staff position and funding to supplement the jury budgets in Hennepin and Ramsey Counties.

Hennepin and Ramsey Courts paid half-day per diem where jurors served a half day or less. That practice was challenged and the courts in those counties, on advise of counsel, began paying a full-day per diem payment. The courts request the authority to set jury costs so that the budget can be maintained or the additional funding of \$271,000 each year to supplement the jury budget.

In addition, the courts request 1.0 position in 2 districts to assist with the case management planning, personnel work including ADA and safety program implementation, financial administration required for the coordination of district-wide programs. The addition of these position equate the staffing level in the Sixth and Ninth Districts with most districts. The amount of \$67,000 is requested for the 2.0 positions.

PROGRAM OUTCOMES:

Legislative authority to set costs or additional funding for jury service per diem at the current rate is required if juries are to remain available on a current basis. In some states jury trials have been postponed or for certain types of cases eliminated to deal with budget constraints.

An additional staff person in the Sixth and Ninth Districts would provide support in the areas of caseload management, facilities planning, courthouse security, payroll and workers' compensation administration, safety program administration, ADA coordination, and jury management.

LONG-TERM IMPACT:

Overtime personnel costs would increase unless the current budgetary constraint of internally funding salaries remains in place. Jury costs could be managed within the existing budget if the courts were allowed to set the costs.

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1994-95 Biennial Budget

PROGRAM: Eight Judicial District Budget
AGENCY: District Courts

PROGRAM PURPOSE:

The 13 local Court Administrator offices in the Eighth Judicial District are responsible for creating and maintaining the official court records and for the effective administrative operations of the court in a particular county. The Office of the Court Administrator receives and files all official court documents, schedules all cases for hearing, collects all fees and fines, monitors the status of cases, issues legal process, enters official court orders and judgments. In addition the Court Administrator may be responsible for assisting indigent defendants obtain legal counsel and for administering the local guardian ad litem program. Beginning 1-1-90 the local court administration function was funded by the state in this judicial district as a pilot project to highlight the administrative issues arising out of state funding of the courts at this level.

PROSPECTS:

The 1993 Legislature will be asked to continue to fund the local court administrative offices of the Eighth Judicial District for an additional 6 years. Homestead and Agricultural Credit Aid has been reduced and fines have been transferred to the state in the 13 counties of the Eighth Judicial District to pay for the cost of the local court administration operation.

OBJECTIVES:

The Court Administrators in each of the counties are responsible for processing the 36,000 cases filed in the Eighth Judicial District during 1991. In 1991, civil case filings increased 20%; family law cases 12%; juvenile delinquency cases 25% over the preceding year. Together with the Judges of the district, the Court Administrators are responsible for implementing the case management plan to expedite the cases in each county. Since the pilot project began, the Court Administrators have worked with the Office of the State Court Administrator in establishing budgets for the operations of the local courts, establishing the interface with the statewide accounting system, accounting and budgeting procedures, and effective cash-flow management. They have established a plan for reallocating personnel within the district to meet workload changes, have experimented with tri-county consolidated calendars to use defender and judicial resources more effectively, and have served as a pilot project for enhanced fine collection. The Supreme Court will present a detailed report to the Legislature about the Eighth District pilot project in February, 1993.

PROGRAM PLAN:

The trial courts are requesting a long-term continuation of the pilot project to allow in-depth analysis on the cost benefit and impact of state funding at this level of court operation. Base level funding for the next biennium is requested.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the District Courts will receive no additional funds in 1994-95. Furthermore, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: DISTRICT COURTS
PROGRAM: 8TH JUD DIST BUDG
ACTIVITY: 8TH JUD DIST BUDG

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomn.	Current Spending	Agency Plan	Governor Recomn.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,204	1,774	2,228	2,150	2,150	2,077	2,150	2,150	2,077
EXPENSES/CONTRACTUAL SRVCS	422	353	457	456	456	456	456	456	456
MISC OPERATING EXPENSES	165	137	187	187	187	187	187	187	187
SUPPLIES/MATERIALS/PARTS	147	102	163	163	163	163	163	163	163
CAPITAL EQUIPMENT	215	19	414	76	76	76	76	76	76
SUBTOTAL STATE OPERATIONS	3,153	2,385	3,449	3,032	3,032	2,959	3,032	3,032	2,959
LOCAL ASSISTANCE	371	283	37	37	37	37	37	37	37
TOTAL EXPENDITURES	3,524	2,668	3,486	3,069	3,069	2,996	3,069	3,069	2,996
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES						<73>			<73>
FUND									
TOTAL GOV'S INITIATIVES						<73>			<73>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,781	2,667	3,486	3,069	3,069	2,996	3,069	3,069	2,996
STATUTORY APPROPRIATIONS:									
GENERAL	743								
SPECIAL REVENUE		1							
TOTAL FINANCING	3,524	2,668	3,486	3,069	3,069	2,996	3,069	3,069	2,996
POSITIONS BY FUND:									
GENERAL	93.5	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: DISTRICT COURTS
PROGRAM: 8TH JUD DIST BUDG
ACTIVITY: 8TH JUD DIST BUDG

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	93.5	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0

1994-95 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: SUPREME COURT

PROGRAM

PAGE

SUPREME COURT OPERATIONS

E-489

CIVIL LEGAL SERVICES

E-492

FAMILY LAW LEGAL SERVICES

E-495

STATE COURT ADMINISTRATORS

E-497

COMMUNITY DISPUTE RESOLUTION PROGRAMS

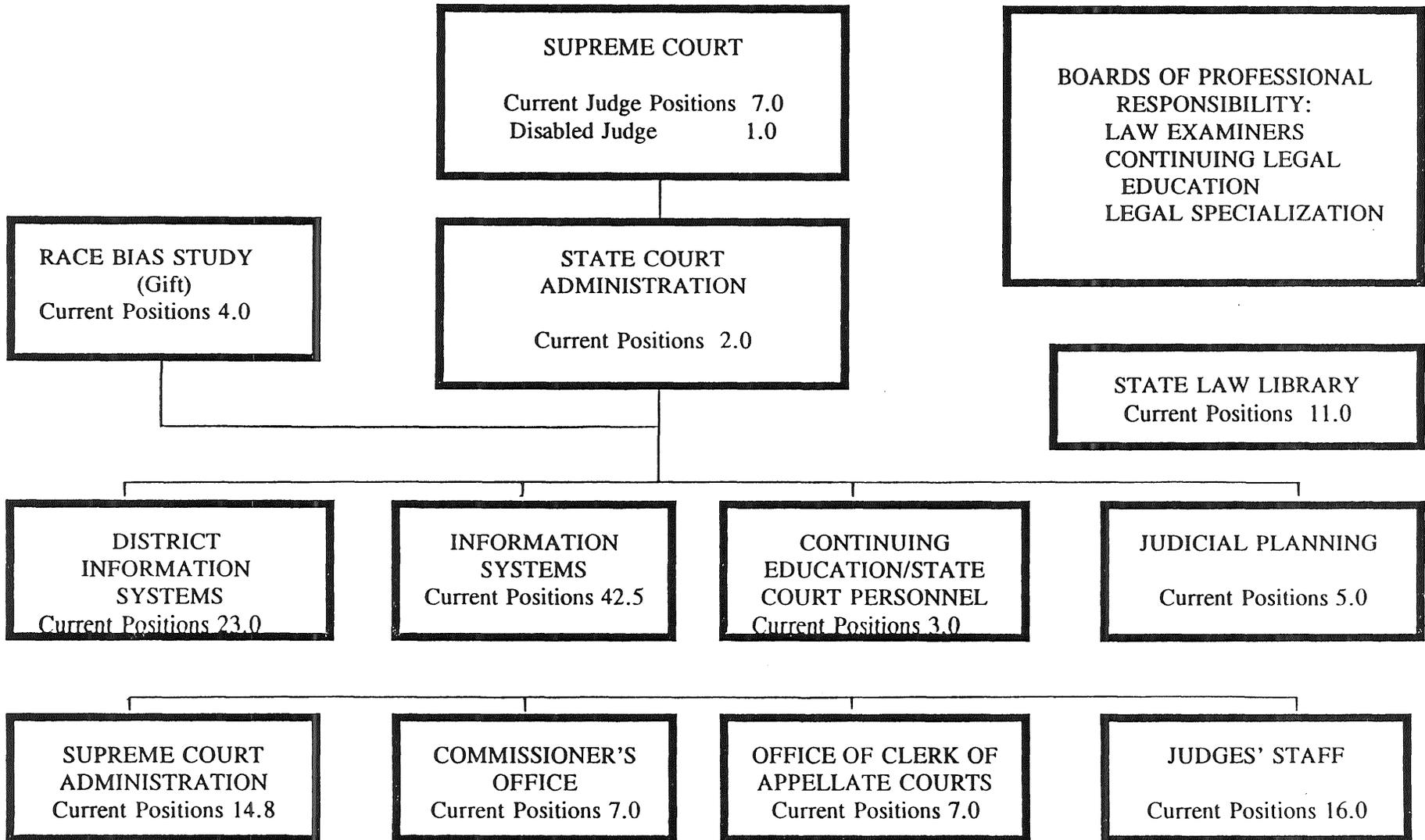
E-500

LAW LIBRARY OPERATIONS

E-502

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MINNESOTA SUPREME COURT ORGANIZATION CHART
Current As Of 11-1-92



Supreme Court

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current</u> <u>F.Y. 1993</u>	<u>Requested</u> <u>for 6/30/95</u>
Legislative Complement:		
General Fund	134.8	134.8.
Gift	4.0	
Budgetary Authorized:		
General Fund	4.5	
Total Permanent Positions	<u>143.3</u>	<u>143.3</u>
TOTAL Positions	<u>143.3</u>	<u>143.3</u>
Employees on 6/30/92	139.1	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	130.6
Full-Time Temporary	4.0
Part-Time Unlimited	3.5
Part-Time Temporary	<u>1.0</u>
TOTAL	139.1

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: MINN SUPREME COURT

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) SALARY PLANNING ESTIMATES	GEN	<226>	<226>	<452>			
TOTAL BY FUND	GEN	<226>	<226>	<452>			
TOTAL INVESTMENT INITIATIVES		<226>	<226>	<452>			

1994-95 Biennial Budget

AGENCY: Supreme Court

MISSION:

The Supreme Court, the highest court of the state, exercises supervisory and adjudicatory authority. The Supreme Court establishes the rules and procedures which govern the courts in the 87 counties, the 242 judges, the approximately 1800 judicial system personnel, and the 16,000 lawyers who appear in them to dispose of nearly 2,000,000 cases annually.

The Supreme Court is responsible for adjudicating appeals brought throughout the state. In 1992, an estimated 948 cases will be filed in the Supreme Court. It has original jurisdiction over cases appealed from the Workers' Compensation Court of Appeals and the Tax Court and in first degree murder cases. It exercises discretionary review of cases heard by the Court of Appeals. The Supreme Court also supervises the maintenance of the State Law Library which provides resources necessary for a clear understanding of the law to government personnel and citizens. (M.S. 480.09)

With the assistance of the State Court Administrator, the Chief Justice exercises general supervisory powers over the courts of the state and specific supervisory powers over the courts' financial affairs, programs of continuing legal education, and planning and research. (M.S. 2.724)

The primary aim in the court is to provide prompt access for litigants to well trained judges who are supported by a knowledgeable, efficient staff and modern management technology. This goal is based on the premises: that each citizen is entitled to have his dispute considered and resolved in a court of law; that litigants and society are best served by speedy, just resolution of disputes while the facts are still clear and evidence and witnesses are still available; that modern management techniques can make the court process more efficient and assist in achieving a speedy, just resolution of a case; and that planning for change in the courts, based on adequate, accurate information, will help achieve uniformity of procedure and an efficient, effective process.

The Supreme Court seeks to insure the efficiency and integrity of the judicial system through programs in 3 areas:

1. **Supreme Court Operations:** The Supreme Court has concentrated on refining the appellate discretionary review process, on screening and deciding petitions for accelerated and further review, on accepting and deciding the precedent setting cases which will shape Minnesota case law, and on disposing of the 228 original jurisdiction cases filed annually. It has continued to exercise extensive supervision of the legal process through promulgation of court rules and of the legal system through the regulatory boards monitoring the practice of law. It supervises the administration of the state trial courts in conjunction with the Conference of Chief Judges by promulgating judicial branch policies and procedures.
2. **State Court Administration:** Provides administrative support for the Supreme Court, the Court of Appeals and the trial courts. Conducts operations research to identify management and case flow problems in trial and appellate courts and to recommend solutions. Provides data through a computerized management information system to support research and the operations of all courts. Plans and executes training programs for court personnel, plans for the development and use of judicial resources, for the collection, storage and use of court records. Develops

uniform policies and procedures for trial court management. Reports to the Legislature about the operations of the judicial system. Administers distribution of funds to civil legal services programs so that indigent citizens may receive legal services. Administers distribution of funds to community dispute resolution and victim-offender mediation programs. Conducts numerous studies of court operations and processes initiated by the courts and the legislature.

3. **State Law Library:** Provides the court, other state agencies and the general public with necessary legal research resources. Provides technical assistance to county law libraries. Provides computer assisted research capabilities for the public and state agencies on a fee basis.

CLIMATE:

In addition to the court's own evaluation and study processes, the Legislature also requests an increasing number of substantive and management studies from court staff usually without additional resources. A list of those studies includes: Racial Bias, Juvenile Court Evaluation, Business Law Court Study, Criminal Justice Resource Management Plans, Fines Management, Public Defender Eligibility Screening, Eighth District Pilot Project and Judicial Branch collective bargaining evaluation; Certification of Shorthand Court Reporters, Summary Dissolution Project, Legal Assistance Usage Study, Hennepin and Ramsey Counties Alternative Dispute Resolution Evaluation, Video Courtroom Evaluation, Speedy Trial plans, criminal procedure and law evaluation, and financing and control of the trial courts. Legislation to transfer segments of the trial court system from county to state funding is being implemented. The courts are struggling to deliver a consistent and high quality service as resources are shrinking. In areas where the courts are dependent on county funding, services are unevenly provided.

AGENCY BUDGET PLAN:

The Supreme Court has reviewed its current programs and has determined that the current level of funding is required to sustain minimum services. In light of the fiscal constraints no new funding is requested. The judiciary has absorbed judicial and employee salary increases in the current biennium within the base budget. Salaries into F.Y. 1994 have been annualized within the base.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Supreme Court will receive no additional funds in 1994-95. Furthermore, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN SUPREME COURT

PROGRAM RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
SUPREME COURT OPERATIONS	3,364	3,906	4,035	3,866	3,835	3,739	3,866	3,835	3,739
CIVIL LEGAL SERVICES	1,282	2,093	2,707	2,682	2,682	2,682	2,682	2,682	2,682
FAMILY LAW LEGAL SERVICES	1,767	881	877	877	877	877	877	877	877
STATE COURT ADMINISTRATORS	7,445	7,054	8,351	7,203	7,202	7,088	7,203	7,202	7,088
COMMUNITY DISPUTE RESOLUT	100	100	245	245	245	245	245	245	245
LAW LIB OPS	1,271	1,711	1,698	1,749	1,749	1,733	1,749	1,749	1,733
TOTAL EXPENDITURES BY PROGRAM	15,229	15,745	17,913	16,622	16,590	16,364	16,622	16,590	16,364
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	14,991	15,356	17,459	16,288	16,288	16,062	16,288	16,288	16,062
STATUTORY APPROPRIATIONS:									
GENERAL	13								
SPECIAL REVENUE	114	99	96	96	95	95	96	95	95
FEDERAL	63	161	207	207	207	207	207	207	207
GIFTS AND DEPOSITS	48	129	151	31			31		
TOTAL FINANCING	15,229	15,745	17,913	16,622	16,590	16,364	16,622	16,590	16,364
POSITIONS BY FUND:									

GENERAL	147.1	149.1	147.1	139.3	139.3	139.3	139.3	139.3	139.3
GIFTS AND DEPOSITS	.0	.0	4.0	4.0	4.0	4.0	.0	.0	.0
TOTAL POSITIONS	147.1	149.1	151.1	143.3	143.3	143.3	139.3	139.3	139.3

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: MINN SUPREME COURT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95	F.Y. 94	F.Y. 95
F.Y. 93 FUNDING LEVEL	17,913	17,913	17,459	17,459	247	247	207	207
TECHNICAL ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<88>	<88>	<88>	<88>				
BIENNIAL APPROPRIATIONS	<853>	<853>	<853>	<853>				
NON-RECURRING EXPENDITURES	<120>	<120>			<120>	<120>		
BASE TRANSFER (BTWN AGENCIES)	<421>	<421>	<421>	<421>				
INSURANCE PREMIUM HOLIDAY	26	26	26	26				
PLANT MANAGEMENT REBATES	165	165	165	165				
SUBTOTAL TECH. ADJ.	<1,291>	<1,291>	<1,171>	<1,171>	<120>	<120>		
CURRENT SPENDING	16,622	16,622	16,288	16,288	127	127	207	207
FORECAST ADJUSTMENTS								
DED STAT APPROP SPENDING	<32>	<32>			<32>	<32>		
SUBTOTAL FORECAST ADJ.	<32>	<32>			<32>	<32>		
AGENCY BASE	16,590	16,590	16,288	16,288	95	95	207	207

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1994-95 Biennial Budget

PROGRAM: Supreme Court Operations
AGENCY: Supreme Court

PROGRAM PURPOSE:

The Minnesota Supreme Court is the final appellate court. Established by the Constitution and operating pursuant to the statutory authority of M.S. Chapter 480, the court hears and resolves appellate questions of law and corrects trial court error. In addition, the Supreme Court exercises general supervisory authority over the operation of the courts of the state and the operation of the legal system.

The Minnesota Supreme Court considers appeals from judgments of the Workers Compensation Court of Appeals and the Tax Court as well as the Court of Appeals. It continues to hear special term matters, motions and petitions for extraordinary relief. The volume of applications for writ of certiorari has increased to approximately 700 cases in 1991 and 1992. The volume of filings has now grown to half the Supreme Court's caseload prior to the establishment of the Court of Appeals. Yet, the court is deciding petitions of writs of certiorari within the statutory 60 day period and has reduced the median disposition time to less than 90 days from date of filing.

In order to process the caseload the court employs a legal research staff. For each case the research staff screens the case to determine the nature, complexity and scope of the legal issues, performs legal research to resolve correctly the issues, and assists in opinion preparation to express succinctly the decisions of the court. In addition, research staff review opinions authored by other justices, perform further research and assist in preparing concurring and dissenting opinions at the justices' direction.

Special term matters directed to the Supreme Court by motion or petition for immediate or extraordinary relief are first reviewed and researched by the commissioner. The commissioner then meets with a 3 judge panel composed of the Chief Justice and 2 Associate Justices. Each motion or petition is discussed, and a dispositional order is issued by the panel. The special term procedure allows the court to give prompt attention to those matters for which the normal appellate procedure is either inappropriate or unavailable.

An administrative staff monitors the progress of each case to insure timely disposition, schedules the case for hearing, oral argument or non oral consideration by the court, and maintains permanent, accurate records for all court actions. This staff also serves the same function for the Court of Appeals.

In addition to this appellate function, the Supreme Court supervises admission to the practice of law in the state and regulates legal practice. The court also promulgates rules governing practice and procedure in the courts throughout the state, a function which requires numerous hearing.

The court supervises the financial affairs of the courts as required by statute through an accounting staff which provides accounting services for the state funded trial court components, appeals court, state law library, state court administration and legal regulatory boards.

The court has significantly increased its administrative responsibility for the trial courts with the state funding initiative. As a result of this initiative, 578 additional personnel have been added to the court payroll since January 1990, with only 1 additional support staff position. The court has established a statewide management structure to administer responsibilities for the additional staff.

The court has general supervisory responsibility for all other courts in the state. It exercises this authority through numerous standing and ad hoc conferences, committees and commissions. All justices participate by serving on, and guiding, the work of these various administrative organizations.

OUTCOMES:

The Supreme Court seeks to use its personnel:

1. To dispose of appellate cases in less than 6 months from date of filing.
2. To manage its workload so that each case receives adequate attention as its importance demands.
3. To maintain an orderly and uniform legal process and procedure throughout the state through the promulgation of uniform rules.
4. To regulate the admission to and practice of law in Minnesota so that each citizen seeking legal counsel is assured of competent representation.
5. To insure the financial integrity of the court system in accordance with generally accepted accounting principles and to insure correct payment of invoices within the statutorily required 30 days.
6. To ensure the effective operation of the state court system.

OBJECTIVES:

	<u>C.Y. 1991</u>	<u>C.Y. 1992</u>	<u>C.Y. 1993</u>	<u>C.Y. 1994</u>	<u>C.Y. 1995</u>
Case Filings	972	948	950	950	950
Median Days to Disposition	84	90	90	90	90
Number of Attorneys Admitted	850	850	850	850	850

PROGRAM PLAN:

The Supreme Court has reviewed its operations, absorbed salary increases from the current biennium and planned to annualize salaries into the next biennium. No additional positions or funding is requested, but the full amount of the appropriation is requested.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Supreme Court will receive no additional funds in 1994-95. Furthermore, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN SUPREME COURT
PROGRAM: SUPREME COURT OPERATIONS
ACTIVITY: SUPREME COURT OPERATIONS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,677	2,926	2,952	2,835	2,835	2,739	2,835	2,835	2,739
EXPENSES/CONTRACTUAL SRVCS	437	779	806	813	799	799	813	799	799
MISC OPERATING EXPENSES	120	173	168	162	161	161	162	161	161
SUPPLIES/MATERIALS/PARTS	81	28	49	46	30	30	46	30	30
CAPITAL EQUIPMENT	49		60	10	10	10	10	10	10
SUBTOTAL STATE OPERATIONS	3,364	3,906	4,035	3,866	3,835	3,739	3,866	3,835	3,739
TOTAL EXPENDITURES	3,364	3,906	4,035	3,866	3,835	3,739	3,866	3,835	3,739
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<96>			<96>
TOTAL GOV'S INITIATIVES						<96>			<96>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,305	3,803	3,894	3,835	3,835	3,739	3,835	3,835	3,739
STATUTORY APPROPRIATIONS:									
FEDERAL	12	10							
GIFTS AND DEPOSITS	47	93	141	31			31		
TOTAL FINANCING	3,364	3,906	4,035	3,866	3,835	3,739	3,866	3,835	3,739
POSITIONS BY FUND:									
GENERAL	54.8	54.8	52.8	52.8	52.8	52.8	52.8	52.8	52.8
GIFTS AND DEPOSITS	.0	.0	4.0	4.0	4.0	4.0	.0	.0	.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN SUPREME COURT
PROGRAM: SUPREME COURT OPERATIONS
ACTIVITY: SUPREME COURT OPERATIONS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	54.8	54.8	56.8	56.8	56.8	56.8	52.8	52.8	52.8

1994-95 Biennial Budget

PROGRAM: Civil Legal Services
AGENCY: Supreme Court

PROGRAM PURPOSE:

M.S. 480.24-480.244 the enabling legislation was enacted in 1982 to counteract the substantial reduction in Legal Services Corporation (LSC) and other federal funding. Funds are used to provide legal assistance in civil cases to persons who are unable to afford private counsel and also to provide alternative dispute resolution services for low-income persons. Originally funded by dedicated revenue from \$20 surcharge on each litigant in a civil action, the surcharge as well as a \$2 charge on most real estate filings are now deposited to the General Fund and the program is supported by a General Fund appropriation.

PROSPECTS:

In spite of the state funding provided to this program, legal services programs are unable to meet the total need for civil legal services. There are 18,000 clients turned away from legal aid programs each year.

Requests for assistance by needy persons nearly doubled during the past 10 years. This combined with the near 50% decrease in federal funding (in real dollars) has resulted in a significant unmet need for legal assistance. With the new resources provided by the legislature, legal aid programs will assist nearly 5,000 more people in F.Y. 1992, a 15% increase from F.Y. 1988. However, if these resources are eroded by inflation or cuts in other funding sources, some offices will be closed and the number of cases handled by legal services programs will fall in future years.

OUTCOMES:

The Legal Services Surcharge provides funding for legal services or alternative dispute resolution programs in 2 areas - mandatory and discretionary grants.

- 1. MANDATORY GRANTS: M.S. 480.24-480.244 provides that the Supreme Court (with the assistance of an advisory committee) shall make grants to qualified non-profit corporations to enable them to provide legal services (attorney's advice, counsel and representation) to low income people with civil legal problems. In 1982, funding for such programs through the federal LSC was cut substantially leaving many Minnesotans without access to legal assistance.

RECIPIENT IDENTIFICATION AND ELIGIBILITY CRITERIA: The grants are available to non-profit corporations which provide legal services to eligible clients in civil matters. (An eligible client is defined, M.S. 480.24, Subd. 2., as an individual who is financially unable to afford legal assistance from private counsel, as determined by income guidelines promulgated for recipients by the Supreme Court.) To be eligible, non-profit corporations must also have boards of directors composed of attorneys at law and consumers of legal services. M.S. 480.242, Subd.,3., provides that 85% of the funds available for grants shall be distributed to those eligible legal services programs which have demonstrated an ability as of 7-1-82, to provide legal services to eligible clients with funds provided by the federal LSC. These programs are closely scrutinized and monitored by LSC and are subject to extensive and uniform rules and regulations, reporting requirements and other accountability features.

Reliance on this federal oversight and statewide structure insure fair and equitable statewide distribution of funds and saves considerably on administrative costs. There are 6 such programs (Legal Services Coalition Programs) which together provide services to low-income residents of every county in Minnesota, as well as to migrant workers and native Americans. These programs provide services using full-time paid staff working in 27 legal aid offices throughout the state. The Average program staff attorney experience is about 7 years. The average annual salary of a 7 year attorney is approximately \$30,500. Also, these programs have organized or contribute to volunteer programs of local private attorneys who donate some of their time in all 87 counties. Some programs also use a "judicare" or "contract" delivery system, in which cases are handled by local lawyers on a substantially reduced fee basis.

CRITERIA AND FORMULAS DETERMINING AMOUNT OF PAYMENT TO RECIPIENT:

By statute (M.S. 480.242, Subd. 3), the 85% of the total funds distributed to the 6 LSC funded programs are allocated on a statewide basis among those programs on the basis of the number of persons with incomes below the poverty level, established by the United States Census Bureau, who reside in the geographical areas served by each program. Thus, for each LSC funded program in Minnesota, the formula for determining the program's funding would be: (number of below-poverty level residents in Minnesota): (number of below-poverty level residents of the areas served by the program). The resulting ratio would be applied to the funds available to be divided among the programs.

EFFECTIVENESS MEASURES:

Number of clients served by Legal Services Coalition Programs.

F.Y. 1991	F.Y.1992	F.Y.1993	F.Y.1994	F.Y.1995
39,183	40,662	41,000	41,000	41,000

In 1991, Coalition program provided advice or representation in 39,183 cases at an average of \$338 per case (when all funds are counted). The 1985 study, "Legal Needs of the Poor in Minnesota: An Assessment of the Unmet Need" estimated 701,687 Minnesotans have incomes low enough to be eligible for legal services. The needs assessment also estimated that poor Minnesotans annually have at least 161,388 civil legal problems. At current levels there are nearly 14 times as many poor persons per legal services attorney as there are persons per lawyer in the general population.

Most of the legal problems handled by these programs directly and significantly affect the day-to-day lives of needy people: legal issues involving their homes, family, health and support for their children and personal safety. These legal problems often involve enforcement of legal rights necessary to gain or continue access to basic necessities such as food, clothing, shelter, medical care, citizenship, income, family law, and protection from abuse and other important individual rights. The vast majority of legal services clients are children and families - often female-headed households, the aged, minority race individuals, disabled persons, refugees, family farmers, immigrants, the homeless and other disadvantaged persons.

2. DISCRETIONARY GRANTS. RECIPIENT IDENTIFICATION AND ELIGIBILITY

CRITERIA: The Legal Services Advisory Committee solicits proposals from non-profit corporations seeking funding for legal services or alternative dispute resolution programs, screens applications for soundness of proposal, reasonableness of the budget and fulfillment of unmet needs in the legal services areas and makes recommendations to the court.

1994-95 Biennial Budget

PROGRAM: Civil Legal Services
AGENCY: Supreme Court
(Continuation)

CRITERIA AND FORMULA DETERMINING AMOUNT OF PAYMENT TO RECIPIENT:

M.S. 480.242 provides that 15% of the funds shall be distributed to not for profit corporations seeking to provide legal services or alternative dispute resolution projects. In the event that applications do not use the total amount available, the balance may be distributed among the 6 LSC funded programs.

ACTIVITY STATISTICS:

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
No. of Programs Supported	11	11	13	13	13

AGENCY BUDGET PLAN

The Supreme Court requests continuation of the current level of funding for this program.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Supreme Court will receive no additional funds in 1994-95.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN SUPREME COURT
PROGRAM: CIVIL LEGAL SERVICES
ACTIVITY: CIVIL LEGAL SERVICES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS	1,096	1,779							
LOCAL ASSISTANCE	186	314	2,707	2,682	2,682	2,682	2,682	2,682	2,682
TOTAL EXPENDITURES	1,282	2,093	2,707	2,682	2,682	2,682	2,682	2,682	2,682
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,282	2,093	2,707	2,682	2,682	2,682	2,682	2,682	2,682
TOTAL FINANCING	1,282	2,093	2,707	2,682	2,682	2,682	2,682	2,682	2,682
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

PROGRAM: Family Law Legal Services
AGENCY: Supreme Court

PROGRAM PURPOSE:

The Supreme Court through its Gender Fairness Task Force identified a large unmet need for family law legal services for the indigent. Legal services providers dedicate roughly 30% of their resources to family law problems. Despite concentration of resources, an estimated 10,000 persons are turned down for family law service each year, because provider resources must also be used to address critical legal needs for housing, food, safety and medical care. Funds appropriated to address the met legal needs of low income clients in family law matters are used for representation in requests for orders for protection, visitation limitations where abuse is documented, post decree custody disputes, divorces where custody is involved.

PROSPECTS:

The need for legal services to the poor in family law matters will continue to exceed the resources available to meet the need.

OUTCOMES:

Funding is distributed to 6 legal services programs according to the formula specified in M.S. 480.242, Subd. 2(a). These programs provide services in each of the 87 counties.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Estimated Caseload	2,000	2,000	2,000	2,000	2,000

AGENCY BUDGET PLAN:

While the current level of funding allows legal service providers to serve new clients, the nature of family law cases, especially those involving serious and difficult custody issues, requires repeated court appearances which may extend for the minority of the child. These cases, unlike some other legal cases, continue to require legal services over an extended period. To continue to reduce the unmet need therefore requires additional resources. The Supreme Court requests continuation of the same level of funding for the next biennium.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Supreme Court will receive no additional funds in 1994-95.

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINN SUPREME COURT
PROGRAM: FAMILY LAW LEGAL SERVICES
ACTIVITY: FAMILY LAW LEGAL SERVICES

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	877								
SUBTOTAL STATE OPERATIONS	877								
LOCAL ASSISTANCE	890	881	877	877	877	877	877	877	877
TOTAL EXPENDITURES	1,767	881	877	877	877	877	877	877	877
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,767	881	877	877	877	877	877	877	877
TOTAL FINANCING	1,767	881	877	877	877	877	877	877	877
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

PROGRAM: State Court Administrator
AGENCY: Supreme Court

PROGRAM PURPOSE:

The office of the State Court Administrator was established to plan for and administer the courts of the state. Pursuant to M.S. 480.15, the State Court Administrator examines administrative methods and dockets of the local courts; collects and compiles statistical data relating to the business of the courts for submission to the legislature and the Supreme Court; prepares uniform personnel standards and procedures for the recruitment, evaluation, promotion, in-service training and discipline of all court personnel and promulgates uniform standards for court budgets, information systems and the collection, storage and use of court records. It develops uniform policies and procedures for trial court management. The office also provides direct administrative support to the Supreme Court and Court of Appeals.

OUTCOMES:

State Court Administration operates in the following major program areas:

The State Court Administrator supervises the state court administrative staff and functions detailed below. She assists the chief justice in supervising the court operations of the state. For example, the office recommends the reassignment of judges to meet workload demands. Staff assist the judiciary in establishing policies and priorities and in developing a long-range plan for the improvement of courts. It is responsible for promulgating budget and personnel standards and for informing the legislature and the public about the operations and needs of the state courts. The office provides technical assistance to trial courts in a broad range of administrative areas including personnel, financial, and caseload management and facilities design. The State Court Administrator is the coordinating link between the court administrative structure and the judiciary.

EDUCATION AND TRAINING:

Develops programs to insure that court personnel stay abreast of new developments and meet mandatory education coursework requirements established by the Supreme Court and the Conference of Chief Judges. Court administrators, judicial district administrators and judges must complete 45 hours of continuing education every 3 years. During every 6-year term of office judges must attend a Minnesota Sentencing Institute and attend an educational tour of a correctional facility to which they sentence individuals. New judges must complete a 3-part orientation program within the first year on the bench. A court administrator orientation is provided during the first year of service. A judicial college for experienced judges is conducted annually.

Provides basic and advanced training on a wide variety of legal and management subjects for court personnel including judges, district administrators, court administrators and their deputies, and court specialty groups such as probate registrars, court reporters, guardians ad litem, and bailiffs. New legislation, caselaw and changes in court procedures and technological developments necessitate continuous update of the information and skills being used by members of the judicial branch. Courses are designed for statewide use for all court personnel. Curriculum and faculty development training for judges and court personnel have also been conducted. A video introducing new personnel has been designed and produced and is currently available to all districts.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Court Education Courses Provided	42	48	69	58	61
Hours of Course Work Provided	281	316	455	342	358
Attendance of Court Personnel	1,290	1,380	1,580	1,508	1,570

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Average Attendance Per Course	31	35	23	33	31
Average Hours Per Course	6.69	7.25	6.59	7.00	6.90
Average Cost Per Course	2,086	1,979	2,116	1,600	1,560
Average Cost Per Person Per Course	67	57	92	48	50
Average Cost Per Person Per Hour	10.01	7.80	13.96	6.93	7.29

RESEARCH AND PLANNING:

Examines the structure and operation of the judicial system to identify court related problems and recommends organizational changes. Conducts research and makes recommendations for improvements in the areas of judicial resources, court management, redistricting, alternative dispute resolution processes, court processes, and restitution services. Conducts legal and management research required to draft statewide administrative policies and to respond to requests for legal and policy guidance on administrative procedures in appellate and trial courts. Publishes and updates benchbooks to provide operational reference material for court personnel. Conducts weighted caseload analysis, advises Supreme Court in the exercise of its sunset and transfer authority over trial court judgeships and presents statistical information on the work of the courts to the legislature, other governmental agencies and the public. Evaluates innovative case management, technology and service improvement programs.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
No. of Research Requests	360	375	375	400	400
No. of Major Projects	12	12	12	13	13
No. of Benchbooks Maintained	2	2	2	2	2

INFORMATION SYSTEMS:

Designs, implements and operates automated trial and appellate court information systems, both for individual courts and judicial districts, to improve time payments revenue collection, efficiency of judicial and nonjudicial personnel, and accuracy of and access to court records. Collects and compiles milestone case information from all courts to monitor case flow, produces caseload statistics, and supports evaluation of judicial resources and policy analysis. Analyzes and improves manual court administrative processes and procedures including office organization, financial management and records retention.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Cumulative No. Automated TCIS Courts	86	86	86	86	86
Cumulative No. Automated TCIS Judicial Districts	9	9	9	9	9

PROGRAM PLAN:

The Supreme Court after reviewing the state court administrator budget has determined that the present level of funding is required to support critical court administrative functions. The court has requested no additional funding for this program.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Supreme Court will receive no additional funds in 1994-95. Furthermore, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN SUPREME COURT
PROGRAM: STATE COURT ADMINISTRATORS
ACTIVITY: STATE COURT ADMINISTRATORS

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,253	3,502	3,865	3,421	3,421	3,307	3,421	3,421	3,307
EXPENSES/CONTRACTUAL SRVCS	1,442	1,249	1,460	1,321	1,321	1,321	1,321	1,321	1,321
MISC OPERATING EXPENSES	510	534	609	568	568	568	568	568	568
SUPPLIES/MATERIALS/PARTS	315	245	274	201	200	200	201	200	200
CAPITAL EQUIPMENT	1,896	1,444	1,936	1,485	1,485	1,485	1,485	1,485	1,485
SUBTOTAL STATE OPERATIONS	7,416	6,974	8,144	6,996	6,995	6,881	6,996	6,995	6,881
LOCAL ASSISTANCE	29	80	207	207	207	207	207	207	207
TOTAL EXPENDITURES	7,445	7,054	8,351	7,203	7,202	7,088	7,203	7,202	7,088
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES									
GEN									
						<114>			<114>
						=====			=====
TOTAL GOV'S INITIATIVES						<114>			<114>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	7,366	6,857	8,133	6,995	6,995	6,881	6,995	6,995	6,881
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	27	10	1	1			1		
FEDERAL	51	151	207	207	207	207	207	207	207
GIFTS AND DEPOSITS	1	36	10						
TOTAL FINANCING	7,445	7,054	8,351	7,203	7,202	7,088	7,203	7,202	7,088

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINN SUPREME COURT
PROGRAM: STATE COURT ADMINISTRATORS
ACTIVITY: STATE COURT ADMINISTRATORS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
POSITIONS BY FUND:									
GENERAL	81.3	83.3	83.3	75.5	75.5	75.5	75.5	75.5	75.5
TOTAL POSITIONS	81.3	83.3	83.3	75.5	75.5	75.5	75.5	75.5	75.5

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1994-95 Biennial Budget

PROGRAM: Community Dispute Resolution Program
AGENCY: Supreme Court

PROGRAM PURPOSE:

The State Court Administrator received partial funding of qualified community dispute resolution and victim-offender mediation programs. To qualify a program must be certified under the state Court Administrator's Office Guidelines for Community Mediation Program. These guidelines, developed in 1984, specify the criteria required for each program to insure that the due process rights of participants are protected and that the neutrals serving the program have received at least minimum training in dispute resolution techniques.

Community Dispute Resolution programs seek to provide the public with an efficient, fair and low-cost means of resolving disputes outside the courtroom. Typically disputes presented involve vandalism, noise abatement, juvenile delinquency, landlord/tenant issues and consumer relations. Victim-offender mediation attempts to facilitate voluntary restitution of offenders.

OUTCOMES:

Pursuant to the enabling legislation, 6 qualified programs were awarded grants to facilitate alternatives to the court process in Hennepin and Ramsey Counties.

AGENCY BUDGET PLAN:

The court requests continuation of the current level of funding for these programs.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Supreme Court will receive no additional funds in 1994-95.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN SUPREME COURT
PROGRAM: COMMUNITY DISPUTE RESOLUT
ACTIVITY: COMMUNITY DISPUTE RESOLUT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	100	100	245	245	245	245	245	245	245
TOTAL EXPENDITURES	100	100	245	245	245	245	245	245	245
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	100	100	245	245	245	245	245	245	245
TOTAL FINANCING	100	100	245	245	245	245	245	245	245
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

PROGRAM: Minnesota State Law Library
AGENCY: Supreme Court

PROGRAM PURPOSE:

This program provides research and information services on a statewide basis to users of legal data. A complete range of traditional and automated professional library functions are offered at the Minnesota Judicial Center. The program offers advisory services to all 87 county law libraries, manages a computerized legal data service and participates in interlibrary consortium and projects on a local, state and national level. The objectives of this program are to promote the administration of justice through the selection and organization of, and assured access to the collection of authority (laws, statutes, government documents and regulations) and explanations of the authority (journals, law reviews and treatises) that controls the relationship between the citizen and society.

OUTCOMES:

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
No. of Reference Requests	16,848	18,533	18,096	17,553	17,027
Circulation of Resources	9,756	10,470	11,203	11,987	12,826
Photocopy Requests	1,253	1,424	1,595	1,786	2,000
No. of Titles Cataloged	2,200	2,300	2,200	2,000	2,100
No. of Govt. Doc. Processed	19,000	20,000	21,000	21,000	22,000

PROGRAM PLAN:

The following are the agency's principal activities and services.

1. The public services staff provides reference and circulation assistance so that users may fully utilize library resources. Their expertise is especially useful in suggesting research strategies to locate cases, statutes, regulations, and books on point.
2. The technical services staff handles the acquisitions, processing, cataloging, and conservation of the library's resources using the latest in automated technology. In addition, state government libraries, county and academic law libraries, benefit from 3 technical services programs; shared government documents, county law library cataloging, and briefs on microfiche.
3. The library, in cooperation with several other libraries, participates in the production and distribution of the records and briefs of cases argued before the Minnesota Supreme Court and the Court of Appeals. The microfiche format saves shelf space, binding costs, and staff time needed to process documents.
4. Under contract with the Department of Corrections, the library provides inmates in Minnesota's 5 adult correctional institutions with access to legal materials and information. Librarians assigned to the program make regular visits to the prisons supplementing the institutional core collections with materials and research results from the library's collection.

5. The library is required by law to advise and assist development of county law libraries throughout the state. The librarian assigned to coordinate the project makes on-site visits to the libraries and submits recommendations for solving problems or issues confronting the boards of trustees. The coordinator also provides training in law library management and develops cooperative programs.
6. The library operates the first computer-assisted legal research program available throughout the state. This service provides users with an economical way to utilize the most advanced legal research techniques.

AGENCY BUDGET PLAN:

The Supreme Court after reviewing the law library budget has determined that the current level of funding is required to maintain the operation of the law library.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Judicial Branch to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Supreme Court will receive no additional funds in 1994-95. Furthermore, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN SUPREME COURT
PROGRAM: LAW LIB OPS
ACTIVITY: LAW LIBRARY OPERAT'S

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	549	567	582	579	579	563	579	579	563
EXPENSES/CONTRACTUAL SRVCS	382	889	835	896	896	896	896	896	896
MISC OPERATING EXPENSES	17	16	19	17	17	17	17	17	17
SUPPLIES/MATERIALS/PARTS	315	237	262	257	257	257	257	257	257
CAPITAL EQUIPMENT	8	2							
SUBTOTAL STATE OPERATIONS	1,271	1,711	1,698	1,749	1,749	1,733	1,749	1,749	1,733
TOTAL EXPENDITURES	1,271	1,711	1,698	1,749	1,749	1,733	1,749	1,749	1,733
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES						<16>			<16>
TOTAL GOV'S INITIATIVES						<16>			<16>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,171	1,622	1,603	1,654	1,654	1,638	1,654	1,654	1,638
STATUTORY APPROPRIATIONS:									
GENERAL	13								
SPECIAL REVENUE	87	89	95	95	95	95	95	95	95
TOTAL FINANCING	1,271	1,711	1,698	1,749	1,749	1,733	1,749	1,749	1,733
POSITIONS BY FUND:									
GENERAL	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
TOTAL POSITIONS	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0

1994-95 Biennial Budget

AGENCY: Client Security Board

MISSION:

The Client Security Board reviews claims by clients who have been defrauded by lawyers and reimburses clients for losses up to \$50,000.

OPERATIONS:

The board contemplates continuing reimbursements to clients at \$260,000 per year.

AGENCY BUDGET PLAN:

1. In exercising its constitutional responsibility to supervise the practice of law, the Supreme Court has created a regulatory board to monitor compliance with its rules. The Supreme Court is responsible for the fees assessed attorneys which fund the regulatory operations.
2. This function is supported by an assessment against all licensed lawyers and by the interest earned on that assessment.
3. No General Fund monies are requested as this agency is funded by an assessment from attorneys.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the judicial branch to present its budgetary needs directly to the legislature for consideration.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: CLIENT SECURITY BOARD
PROGRAM: CLIENT SECURITY BOARD
ACTIVITY: CLIENT SECURITY BOARD

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	6	6	7	7	7	7	7	7	7
EXPENSES/CONTRACTUAL SRVCS	23	23	24	24	24	24	24	24	24
MISC OPERATING EXPENSES	235	277	260	260	260	260	260	260	260
SUPPLIES/MATERIALS/PARTS		1	3	3	3	3	3	3	3
SUBTOTAL STATE OPERATIONS	264	307	294	294	294	294	294	294	294
TOTAL EXPENDITURES	264	307	294	294	294	294	294	294	294
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	264	307	294	294	294	294	294	294	294
TOTAL FINANCING	264	307	294	294	294	294	294	294	294
POSITIONS BY FUND:									
SPECIAL REVENUE	.2	.2	.2	.2	.2	.2	.2	.2	.2
TOTAL POSITIONS	.2	.2	.2	.2	.2	.2	.2	.2	.2

1994-95 Biennial Budget

AGENCY: Continuing Legal Education, Board of

MISSION:

Under the supervision and direction of the Supreme Court, the State Board of Continuing Legal Education accredits courses and programs which will satisfy continuing legal education requirements, discovers and encourages the offering of such courses and programs, and ensures compliance by lawyers licensed by the court.

The board monitors the compliance of the 18,000+ state attorneys with the continuing legal education program requirements.

The objective of this agency is to ensure that practicing attorneys continue their legal education throughout the period of their active practice of law.

OUTCOMES:

	<u>Actual</u> <u>F.Y. 1991</u>	<u>Actual</u> <u>F.Y. 1992</u>	<u>Estimate</u> <u>F.Y. 1993</u>	<u>Estimate</u> <u>F.Y. 1994</u>	<u>Estimate</u> <u>F.Y. 1995</u>
Number of Attorneys	5,560	5,700	6,000	6,300	6,600

AGENCY BUDGET PLAN:

In exercising its constitutional responsibility to supervise the practice of law, the Supreme Court has created a regulatory board to monitor compliance with its rules. The Supreme Court is responsible for the fees assessed attorneys which fund the regulatory operations.

Dedicated funds from attorney registration fees and fees for certifying legal specialties support this agency. No monies are from the General Fund.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the judicial branch to present its budgetary needs directly to the legislature for consideration.

1994-95 Biennial Budget

AGENCY: Legal Certification, Board of

MISSION:

Under the supervision and direction of the Supreme Court, the Board of Legal Certification approves the designation of areas of legal specialization, specifies the certification requirements and accredits the certifying agency.

The board receives petitions from 2 or 3 certifying agents annually. These petitions specify areas of legal specialty and identify qualifications to be certified as a specialist. The designation of a legal specialization assists the public in identifying lawyers with experience and expertise in handling particular types of legal claims.

The board reviews the experience and education proposed for certification of a specialty and the ability of the certifying agency to assess compliance with the criteria. The board approves the certifying agency which in turn examines applicants seeking to qualify as specialists.

AGENCY BUDGET PLAN:

Dedicated funds support this agency.

In exercising its constitutional responsibility to supervise the practice of law, the Supreme Court has created a regulatory board to monitor compliance with its rules. The Supreme Court is responsible for the fees assessed attorneys which fund the regulatory operations.

No General Fund monies are requested as this agency is funded by fees generated in the process of certifying legal specialists.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the judicial branch to present its budgetary needs directly to the legislature for consideration.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: CONTINUING LEGAL ED
PROGRAM: CONT LEGAL ED OPS
ACTIVITY: CONT LEGAL ED OPS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	104	100	117	117	117	117	117	117	117
EXPENSES/CONTRACTUAL SRVCS	20	16	15	15	15	15	15	15	15
MISC OPERATING EXPENSES	5	7	7	7	7	7	7	7	7
SUPPLIES/MATERIALS/PARTS	3	4	3	3	3	3	3	3	3
CAPITAL EQUIPMENT		1	1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	132	128	143	143	143	143	143	143	143
TOTAL EXPENDITURES	132	128	143	143	143	143	143	143	143
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	132	128	143	143	143	143	143	143	143
TOTAL FINANCING	132	128	143	143	143	143	143	143	143
POSITIONS BY FUND:									
SPECIAL REVENUE	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL POSITIONS	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: CONTINUING LEGAL ED
PROGRAM: LEGAL CERTIFICATION BOARD
ACTIVITY: LEGAL CERTIFICATION BOARD

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES		11	11	11	11	11	11	11	11
EXPENSES/CONTRACTUAL SRVCS	13	3	14	14	14	14	14	14	14
MISC OPERATING EXPENSES	1	1	2	2	2	2	2	2	2
SUPPLIES/MATERIALS/PARTS	1	1	1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	15	16	28	28	28	28	28	28	28
TOTAL EXPENDITURES	15	16	28	28	28	28	28	28	28
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	15	16	28	28	28	28	28	28	28
TOTAL FINANCING	15	16	28	28	28	28	28	28	28
POSITIONS BY FUND:									
SPECIAL REVENUE	.3	.3	.3	.3	.3	.3	.3	.3	.3
TOTAL POSITIONS	.3	.3	.3	.3	.3	.3	.3	.3	.3

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Board of Judicial Standards
Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	2.0	2.0
Total Permanent Positions	<u>2.0</u>	<u>2.0</u>
TOTAL Positions	<u>2.0</u>	<u>2.0</u>
Employees on 6/30/92	2.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	2.0
TOTAL	<u>2.0</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Judicial Standards, Board on

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$180	\$180	\$360
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$180	\$180	\$360
Inflation Cost Increase	6	13	19
Agency Management Decisions			
Agency Operations:			
Professional & Technical Serv.	\$(15)	\$(22)	\$(37)
TOTAL AGENCY PLAN	\$171	\$171	\$342
Governor's Initiative			
Restore Agency Reduction	\$ 9	\$ 9	\$ 18
Salary Planning Estimates	<u>(4)</u>	<u>(4)</u>	<u>(8)</u>
Subtotal	\$ 5	\$ 5	\$ 10
GOVERNOR'S RECOMMENDATION	<u>\$176</u>	<u>\$176</u>	<u>\$352</u>

Brief Explanation of Agency's Overall Actions:

The agency accomplished the reductions by reducing Professional & Technical Services (attorney and court reporter fees). Staff and agency operating expenditures presently are at minimal operation leaving this type of reduction as its only alternative. This reduction does, however, limit the board's ability to proceed on a public complaint and make a recommendation to the Supreme Court which, in the board's opinion, warrants public discipline, removal or disability retirement against a judge. The board would have to choose an alternative private discipline to issue to the judge or postpone proceedings until the agency requested and received additional funding from the Legislative Advisory Commission, if available, or abandon the proceedings.

2. Impact on Staffing:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Positions Left Vacant or Eliminated	\$-0-	\$-0-

3. Impact on Revenue Generation:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-

4. Affected Statutes:
None.

5. Governor's Recommendation

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments: restoring reductions proposed with the agency plan for an amount of \$18,000 for the biennium; and funding has been reduced due to revised salary planning estimates.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: JUDICIAL STDS, BD OF

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) RESTORE AGENCY REDUCTION	GEN	9	9	18			
(A) SALARY PLANNING ESTIMATES	GEN	<4>	<4>	<8>			
TOTAL BY FUND	GEN	5	5	10			
TOTAL INVESTMENT INITIATIVES		5	5	10			

1994-95 Biennial Budget

AGENCY: Judicial Standards, Board of

MISSION: The Board on Judicial Standards investigates and acts upon complaints involving judicial misconduct and disability to protect the public by ensuring confidence in the integrity and impartiality of the judiciary. The board's statutory authority is established by M.S.490.15.

The board's responsibilities are two fold. First, to investigate complaints of judges' disability which interferes with the performance of their duties, action or inaction, or incompetence that may constitute failure to perform duties, habitual intemperance and conduct prejudicial to the administration of justice that brings the judicial office into disrepute or other improper behaviors that violate the Code of Judicial Conduct.

Secondly, to review the complaints and investigations of the alleged misconduct or disability, to determine whether there is sufficient cause to proceed to a formal public complaint, to hold hearings and to recommend disciplinary disposition to the Minnesota Supreme Court including retirement, censure or removal from office.

In circumstances where the alleged conduct is insufficient to support a formal complaint, the board may impose private reprimand or warnings, may direct the judge to professional counseling or impose conditions on the judge's conduct.

In carrying out its responsibility, the board does assure the investigation process recognizes the unique role of elected judges in our state and conducts its proceedings to preserve the rights and dignities of the individual judges.

The existence of our agency offers the public an opportunity to contribute to the integrity of the judiciary.

CLIMATE: The major activity of the board on Judicial Standards is the prompt and efficient investigation and disposition of complaints received.

The 10 member board reviews each complaint received in the office. During F.Y. 1992, the board investigated and reviewed for decision 159 complaints, up slightly from F.Y. 1991. In addition, the board received approximately 350 additional telephone inquiries concerning judge's conduct. After explanation, many of the inquiries did not resolve in a filed complaint. The average time for handling these phone inquiries runs approximately 15 minutes resulting in a considerable staff time commitment. It is the board's position that a policy of listening to the complaints concerning judge's conduct, giving an explanation of the judge's duties and the board's limitations to dissatisfied litigants, results in a better understanding of the judge's role.

The board has, by statute, responsibility to monitor judges' compliance to issue their rulings and decisions in a timely manner. The board has enacted a policy to review compliance monthly. The board, in monitoring the time limitation, can inform the judge's of their obligation and duty to the litigants to decide cases.

With a greater public awareness of the board, the increase case filings, especially in criminal cases, and resulting pressure on judges, the board anticipates an increase in the number of complaints to be filed. The board anticipates for F.Y. 1994, 175 complaints and for F.Y. 1995, 195.

The board receives numerous inquiries from judges requesting information and guidance on particular conduct as related to the Code on Judicial Conduct. The board has issued advisory opinions from time to time to judges making inquiry about particular contemplated actions which have ethical considerations. These opinions, it is hoped, will establish a base of information to give guidance to the judges.

More recently, the agency has embarked upon a program to bring to the judge's attention the type and frequency of complaints received by the agency and in a general way, the discipline imposed

in an effort to encourage judges to modify their conduct and avoid common complaints. This is accomplished by appearing before judge's meetings, at the district level and at state seminars, and by written materials.

OBJECTIVES: The Board on Judicial Standards has the following objectives:

- To investigate, review and act upon complaints of judicial misconduct.
- To respond promptly to telephone and written inquiries of potential complaints directed to the board's staff with a view to:
 1. prevent and discourage the filing of spurious complaints.
 2. advise the dissatisfied litigants that the board may not act as a court of appeals involving judge's rulings and decisions.
 3. advise on the filing of complaints that appear to have merit and justify investigation.
- To develop a statistical analysis of the type and frequency of complaints and bring these to the attention of the judges to encourage the modification of conduct that may give rise to repeated minor conduct complaints.

OUTCOMES: The board, by prompt and efficient handling of complaints, providing immediate and thoughtful responses to telephone and written inquiries concerning judges' conduct, will assure the public of confidence in the integrity and independence of the judges in Minnesota.

AGENCY BUDGET PLAN: This board functions as an enforcement agency. An anticipated shortfall and need to update computer and photocopying equipment directly effects the office in carrying out its mission. A reduction in budget will reduce the protection to the public by limiting the board's ability to investigate and prosecute complaints alleging serious misconduct of a judge.

This budget has been prepared within the 95% base level funding as requested by the Governor. It will result in a reduction in F.Y. 1994-95 biennium of \$19,000. Most of the expenses of the board are fixed by statute or contract. Necessary operating expenses have limited margin for reduction. The reduction would limit the board's ability to proceed to a formal complaint. For example, if the board determined that allegations against a judge required a hearing or public discipline, the board would be unable to proceed.

The existing office equipment is totally antiquated. The word processing equipment is a Digital purchased in 1983. It is limited to word processing. It does not have a hard drive storage and much of the statistical information that could be stored on computer equipment is now correlated by hand. The photocopying equipment produces 3,000 to 5,000 pages a month is without adequate sheetfeeder. It was purchased in 1982. The antiquated equipment substantially effects the efficiency of a 2 person staff. The estimated and necessary costs of replacements for computer and photocopying equipment is between \$8,000 - \$10,000.

Past budget limitations has resulted in the salary of the executive secretary experiencing only a single increase during the last 10 years, most recently in 1992. It remains disproportionately low for the responsibility of the office. Also, the administrative assistant has not received a salary increase since 1990. Projected salary obligations for F.Y. 1994 and F.Y. 1995 have been transferred from Professional and Technical Services. This change reduces the funds for attorney and court reporter services used in investigating and proceeding with a complaint.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments: restoring reductions proposed with the agency plan for an amount of \$18,000 for the biennium; and funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: JUDICIAL STDS, BD OF
PROGRAM: JUD STAN OPS
ACTIVITY: JUD STAN OPS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	106	107	129	129	129	125	129	129	125
EXPENSES/CONTRACTUAL SRVCS	24	19	73	38	29	38	38	29	38
MISC OPERATING EXPENSES	10	8	10	10	10	10	10	10	10
SUPPLIES/MATERIALS/PARTS	2	2	3	3	3	3	3	3	3
SUBTOTAL STATE OPERATIONS	142	136	215	180	171	176	180	171	176
TOTAL EXPENDITURES	142	136	215	180	171	176	180	171	176
GOV'S INITIATIVES:									
FUND									
(A) RESTORE AGENCY REDUCTION						9			9
(A) SALARY PLANNING ESTIMATES						<4>			<4>
TOTAL GOV'S INITIATIVES						5			5
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	142	136	215	180	171	176	180	171	176
TOTAL FINANCING	142	136	215	180	171	176	180	171	176
POSITIONS BY FUND:									
GENERAL	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL POSITIONS	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: JUDICIAL STDS, BD OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	215	215	215	215				
<u>TECHNICAL ADJUSTMENTS</u>								
APPROPRIATIONS CARRIED FWD	<35>	<35>	<35>	<35>				
SUBTOTAL TECH. ADJ.	<35>	<35>	<35>	<35>				
CURRENT SPENDING	180	180	180	180				
AGENCY BASE	180	180	180	180				

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1994-95 Biennial Budget

AGENCY: Law Examiners, Board of

MISSION:

Under the supervision and direction of the Supreme Court, the State Board of Law Examiners screens and tests candidates for admission to the practice of law and advises the Court of developments in the field of bar admissions.

The Board of Law Examiners screens an average of 1,000 applicants for admission to the practice of law each year, administers standardized national and locally developed tests and recommends to the Supreme Court the admission of successful applicants.

The objective of the agency is to administer procedures and develop standards which reasonably guard against the admission to the practice of law of unqualified persons.

	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Number of Attorneys Examined	1,000	1,000	1,000	1,000	1,000

AGENCY BUDGET PLAN:

In exercising its constitutional responsibility to supervise the practice of law, the Supreme Court has created a regulatory board to monitor compliance with its rules. The Supreme Court is responsible for the fees assessed attorneys which fund the regulatory operations.

Funds are derived from attorney registration fees and admission fees; no monies are from the General Fund.

The agency is supported by dedicated revenue from attorney registration fees and bar examination fees.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the judicial branch to present its budgetary needs directly to the legislature for consideration.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LAW EXAMINERS, BD OF
PROGRAM: LAW EXAM OPS
ACTIVITY: LAW EXAM OPS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	286	312	341	341	341	341	341	341	341
EXPENSES/CONTRACTUAL SRVCS	218	259	318	318	318	318	318	318	318
MISC OPERATING EXPENSES	38	29	35	35	35	35	35	35	35
SUPPLIES/MATERIALS/PARTS	19	15	20	20	20	20	20	20	20
CAPITAL EQUIPMENT	6	4	28	28	28	28	28	28	28
SUBTOTAL STATE OPERATIONS	567	619	742	742	742	742	742	742	742
TOTAL EXPENDITURES	567	619	742	742	742	742	742	742	742
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	567	619	742	742	742	742	742	742	742
TOTAL FINANCING	567	619	742	742	742	742	742	742	742
POSITIONS BY FUND:									
SPECIAL REVENUE	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
TOTAL POSITIONS	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0

1994-95 Biennial Budget

AGENCY: Lawyers Professional Responsibility, Board of

MISSION:

Under the supervision and direction of the Supreme Court, the Lawyers Professional Responsibility Board advises lawyers about ethical questions arising from the practice of law and responds to citizen complaints about the actions of lawyers.

The board receives, investigates and assists in the disposition of complaints about the 18,000 lawyers licensed to practice law in Minnesota.

The objective of the Lawyers Professional Responsibility Board is to insure that the public is served by lawyers whose legal practices conform to the Code of Professional Responsibility adopted by the Supreme Court.

OUTCOMES:

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Complaints Filed	1,380	1,424	1,528	1,640	1,760
Complaints Closed	1,437	1,267	1,500	1,700	1,825

AGENCY BUDGET PLAN:

In exercising its constitutional responsibility to supervise the practice of law, the Supreme Court has created a regulatory board to monitor compliance with its rules. The Supreme Court is responsible for the fees assessed attorneys which fund the regulatory operations.

Dedicated funds support this agency, earned from attorney registration and legal corporation registration fees. Revenue also is obtained from collection of judgments against disciplined attorneys and a contract with the Client Security Board for staff services.

No General Fund monies are requested as this agency is funded from attorney registrations.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the judicial branch to present its budgetary needs directly to the legislature for consideration.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PROFSNL RESP, BD OF
PROGRAM: PROF RESPON OPS
ACTIVITY: PROF RESPON OPS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	950	1,042	1,097	1,097	1,097	1,097	1,097	1,097	1,097
EXPENSES/CONTRACTUAL SRVCS	150	164	194	194	194	194	194	194	194
MISC OPERATING EXPENSES	35	35	40	40	40	40	40	40	40
SUPPLIES/MATERIALS/PARTS	30	27	28	28	28	28	28	28	28
CAPITAL EQUIPMENT	11	5	5	5	5	5	5	5	5
OTHER		1							
SUBTOTAL STATE OPERATIONS	1,176	1,274	1,364	1,364	1,364	1,364	1,364	1,364	1,364
TOTAL EXPENDITURES	1,176	1,274	1,364	1,364	1,364	1,364	1,364	1,364	1,364
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	1,176	1,274	1,364	1,364	1,364	1,364	1,364	1,364	1,364
TOTAL FINANCING	1,176	1,274	1,364	1,364	1,364	1,364	1,364	1,364	1,364
POSITIONS BY FUND:									
SPECIAL REVENUE	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
TOTAL POSITIONS	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0

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1994-95 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: PUBLIC DEFENSE, BOARD OF

PROGRAM

PAGE

STATE PUBLIC DEFENDER

E-527

DISTRICT PUBLIC DEFENSE

E-531

BOARD OF PUBLIC DEFENSE

E-536

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Board of Public Defense

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	<u>55.5</u>	<u>88.5</u>
Total Permanent Positions	<u>55.5</u>	<u>88.5</u>
Other Complement (FTE)	5.0	5.0
TOTAL Positions	60.5	93.5
Employees on 6/30/92	60.5	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	55.5
Part-Time Temporary	<u>5.0</u>
TOTAL	60.5

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: BD OF PUBLIC DEFENSE

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) SALARY PLANNING ESTIMATES	GEN	<219>	<219>	<438>			
(B) CASELOAD INCREASES	GEN	<239>	<325>	<564>			
(B) GRANT INCREASE/FOUNDATION SUPPORT	GEN	<65>	<97>	<162>			
(B) ESTABLISHED FULL TIME DISTRICT OFFICES	GEN	<1,511>	<1,346>	<2,857>			
(B) PHASED IN WGTED CASE LOAD STANDARDS/GROUP INS	GEN	<5,579>	<6,842>	<12,421>			
TOTAL BY FUND	GEN	<7,613>	<8,829>	<16,442>			
TOTAL INVESTMENT INITIATIVES		<7,613>	<8,829>	<16,442>			

AGENCY: Public Defense, Board of

MISSION STATEMENT:

The Board of Public Defense is a Judicial Branch agency whose purpose is to provide quality criminal defense services to indigent defendants in the state of Minnesota through a cost effective and efficient public defender system. The agency is organized into 3 programs. District Public Defense, State Public Defender, and the Administrative Services Office.

State Public Defender

- The State Public Defender's Office provides service to indigent prisoners appealing their criminal and civil cases to the Minnesota Court of Appeals and Supreme Court; post conviction proceedings in the District Courts throughout the state; parole revocation proceedings; civil/legal problems; and prison disciplinary proceedings. In addition, assistance, education and information regarding changes in the law are provided to court-appointed and Judicial District Public Defenders.

Board of Public Defense

- The Administrative Services Office provides policy direction and guidance for the agency's programs and overall management of its activities. It provides general staff support to all public defender organizations in Minnesota, as well as implements the agency's policies, rules, regulations and training. In addition, it is responsible for implementation and monitoring of management information systems relating to the agency's budget, data and personnel. This office also directs and coordinates all agency relationships with the legislature, other state agencies and local governments.
- The Public Defense Corporations are community based, legal service entities serving predominantly indigent American Indians, Hispanics, Southeast Asians and Blacks. The primary purpose of these corporations is to provide criminal and juvenile defense services to minority indigents so that a high quality, independent defense system may be maintained for those unable to obtain private representation.

District Public Defense

- There are 10 Judicial District Public Defender Offices in Minnesota. The primary purpose of these offices is to provide trial court criminal defense services to indigents charged with felonies and gross misdemeanors. The 2nd, 3rd, 4th, 6th and 8th Judicial District Public Defender Offices also provide services to indigents charged with misdemeanor and juvenile offenses.

The responsibilities of the board include: appointing the State Public Defender, who supervises the appellate office of the public defender system; selecting a trial court District Public Defender in each of the 10 Judicial Districts; and distributes and/or appropriates from the legislature. In addition, the board sets standards for the operation of all the public defender offices under its jurisdiction.

These standards apply as well to the county-based appointed counsel systems which otherwise do not fall under the supervision of the board.

MINNESOTA MILESTONES:

While there are several milestones that deal with the safety of our citizens and the provision of justice, none specifically relate to the public defense system. The board has, however, adopted caseload standards based on the results of the Weighted-Caseload Study. The standards form the basis for distribution of funding by the board and also its requests to the legislature. The standards outline the maximum caseload that a full-time equivalent (FTE) attorney can handle and provide competent representation. While this is determined by a measure of inputs "hours per case type," this ultimately leads to better outcomes. Increased defense attorney time ensures, a better prepared defense and a more balanced criminal justice system.

The foundation of criminal justice system is a reasonable balance of resources which in turn promotes early and meaningful negotiations thereby saving court time as well as prison space. A properly funded defense system also can reduce the incidence of appeal, by assuring clients that the proper time and effort was put forth, and that the best possible result has been achieved. Ultimately, this will save time in the Appellate Office and the Court of Appeals.

CLIMATE:

The public defender system does not and *cannot* control its client intake or workload. These important variables are controlled by external circumstances, such as constitutional mandates, legislative policies, Supreme Court rules, Sentencing Guideline changes, statutory changes, judicial calendaring changes and Department of Corrections policies, which the board does not direct. Equally important, the current system of legislative biennial appropriations for the Board of Public Defense is extremely difficult to administer since many variables that increase caseloads, such as local funding of police and prosecutors, occur on an annual, or in some cases, a 6 month budget cycle. For example, money collected and used by prosecutorial and police agencies as a result of forfeitures. In many cases, the use of this money is outside the budget review of the local governmental entity. The availability of forfeiture money to police and prosecutors allows those agencies to either add additional personnel to their departments or increase their services, without the defense having an opportunity to do the same.

■ **Right of Representation:**

Under Minnesota law, all individuals accused of a felony, gross misdemeanor or misdemeanor crime are entitled to be represented by an attorney before, during and after their trial. Individuals undergoing civil commitment, paternity, non-support, extradition or contempt proceedings, as well as juveniles subject to judicial proceedings, are also entitled to representation by an attorney. If an individual who is accused in one of the above proceedings cannot afford the services of a private attorney and demonstrates an inability to afford such services, the court will appoint a public defender to represent that individual. The defense of accused persons is constitutionally mandated and must be provided even when such costs are borne by the public.

■ **Weighted Caseload Study/Standards:**

In order to properly administer the newly implemented statewide system, the legislature in 1989 appropriated \$100,000 to the Board of Public Defense to conduct a weighted caseload study.

AGENCY: Public Defense, Board of
(Continuation)

The basic design of the weighted caseload study is to determine the estimated time that it takes the average public defender in the state of Minnesota to perform various case-related and non-case-related activities. The design of the study permitted the Board of Public Defense to develop appropriate caseload standards.

■ **Crime Bills**

In recent years, there has been a significant emphasis on both the local and national level to increase the penalties on existing crimes. In addition, there have been many new statutory penalties that have been enacted to deal with an increased awareness of crimes against vulnerable people in areas such as sex abuse, child abuse, crimes against women, etc. Stiffer penalties and stricter enforcement have resulted in a significant increase in the population of our jails and prisons.

■ **Caseload Increases**

It is estimated that 75% of those charged with a crime in the state of Minnesota are indigent and require public defense counsel. There has been an approximate 25% increase in public defender caseloads between 1989 and 1991.

■ **Court Procedures/Process**

It is important to note that the public defense system does not control its caseloads or court procedures. These are controlled by the courts or other agencies, and are beyond the ability of the public defense system to control.

■ **Increased Police and Prosecution**

In the past several years, there have been significant influxes of monies to local prosecutors and police on both a local, state and national level to combat crime. There has *not* been the same funding balance accorded to the public defense field. There also have been new judges and prosecutors added to process those defendants accused of committing crimes. There has been no increase within the same time period for public defender staff.

■ **Societal Values**

The political and economic issues that will continue to affect the public defense field are related to social values and funding sources. Currently, on a national and state level, there is an emphasis on crime reduction. Funding on a local, state and national level, have prioritized increases for police, prosecution, and judicial staff, as well as appropriations to penal institutions. There has not been a corresponding increase in public defense staffing, salaries and resources.

AGENCY BUDGET PLAN:

The State Public Defender, Chief District Public Defenders and board staff have been meeting with the Supreme Court, District Court Administrators, and the Conference of Chief Judges in an effort to reduce caseloads, time, and make the handling of criminal cases more efficient. Some of these changes have been implemented or can be implemented without legislative changes. Other changes will require legislation on or changes in court rules. For example, one of the most effective tools for settling cases early is diversion programs for small time drug offenders and non-violent offenders. These diversion programs can save hundreds if not thousands of hours of court, public defense and prosecution time, while providing adequate disposition of cases. A lack of interest by county corrections people and opposition by some prosecutors has kept this from being implemented in some areas of the state even though their caseload may warrant it.

The court in the 8th District in cooperation with the public defender and the prosecutors recently went to a consolidated calendar. This allows arraignments from their counties to be done in one location. This process provides enough cases in one courtroom so that as judge, prosecutor and public defender can spend an entire day doing arraignments. This cuts down travel time and costs and is a more efficient use of court time.

The public defender system has continued to implement its own efficiencies and accountability measures. For example, with funding from the legislature the board has established and implemented a management information system to track caseloads and hours more effectively. A centralized budget system will go into effect 1-1-93 which will provide greater accountability and standardized budgets and procedures. The board has submitted a budget request to implement a Legislative Auditor's recommendation that offices in Greater Minnesota be full time. In the 2nd Judicial District Public Defender Office, extensive use of paralegals has freed up attorney time. In the 4th District the Public Defender Office has automated the printing of face sheets (client data and case history). The 4th "donates" the savings of its nationally known DNA expert to other districts. The 6th District Chief Public Defender recently conducted a training session for 3rd District Public Defenders.

The board is requesting additional funding to implement the weighted caseload standards. In addition funding for full-time offices will implement the Legislative Auditor's recommendation, provide greater accountability, provide better service to clients, and pave the way for state assumption of juvenile and misdemeanor costs in those districts.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Board of Public Defense to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Board of Public Defense will receive no additional funds in 1994-95. Furthermore the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BD OF PUBLIC DEFENSE

PROGRAM RESOURCE ALLOCATION:	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
STATE PUBLIC DEFENDER	2,048	2,106	2,331	2,227	2,664	2,364	2,227	2,750	2,364
BOARD OF PUB DEFENSE	1,039	1,178	1,427	1,466	1,532	1,453	1,466	1,564	1,453
DISTRICT DEFENSE	16,719	18,022	20,593	20,434	27,524	20,290	20,437	28,625	20,293
TOTAL EXPENDITURES BY PROGRAM	19,806	21,306	24,351	24,127	31,720	24,107	24,130	32,939	24,110
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	19,806	21,196	24,196	23,998	31,591	23,978	24,001	32,810	23,981
STATUTORY APPROPRIATIONS:									
FEDERAL		110	155	129	129	129	129	129	129
TOTAL FINANCING	19,806	21,306	24,351	24,127	31,720	24,107	24,130	32,939	24,110
POSITIONS BY FUND:									
GENERAL	32.0	42.0	42.0	42.0	78.5	42.0	42.0	80.5	42.0
TOTAL POSITIONS	32.0	42.0	42.0	42.0	78.5	42.0	42.0	80.5	42.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: BD OF PUBLIC DEFENSE

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	24,351	24,351	24,196	24,196			155	155
TECHNICAL ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<160>	<160>	<160>	<160>				
APPROPRIATIONS CARRIED FWD	<65>	<65>	<39>	<39>			<26>	<26>
DOCUMENTED RENT/LEASE INC/DEC	1	4	1	4				
SUBTOTAL TECH. ADJ.	<224>	<221>	<198>	<195>			<26>	<26>
CURRENT SPENDING	24,127	24,130	23,998	24,001			129	129
FORECAST ADJUSTMENTS								
LEG-DIRECTED ADJUSTMENTS	8	8	8	8				
ANNUALIZING NEW PROG COSTS	191	191	191	191				
SUBTOTAL FORECAST ADJ.	199	199	199	199				
AGENCY BASE	24,326	24,329	24,197	24,200			129	129

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1994-95 Biennial Budget

PROGRAM: State Public Defender
AGENCY: Public Defense, Board of

PROGRAM PURPOSE: The State Public Defender's Office provides services to indigent prisoners who appeal their criminal cases to the Minnesota Court of Appeals and Supreme Court; post conviction proceedings in the District Courts throughout the state; parole revocation proceedings; civil legal problems (Legal Assistance to Minnesota Prisoners (LAMP)); prison disciplinary and parole proceedings (Legal Advocacy Project (LAP)). In addition, the State Public Defender is charged with developing standards for the operation of District Public Defense Offices throughout the State.

PROSPECTS:

1. Penalties and Enforcement

In recent years there has been a major legislative effort to increase penalties for existing crimes. In addition, new statutory penalties have been enacted to deal with specific populations or issues. Increased penalties and stronger enforcement have resulted in a significant increase in the population of the state's prisons and jails. The result have been not only increased appellate cases, but also increased prison discipline cases in these more crowded institutions. Longer sentences have increased the likelihood of defendants appealing their cases. Increased incarcerations also mean increased parole revocation proceedings which the office must handle. The office has for the past year begun to experience a tremendous influx of cases resulting from major anti-crime legislation passed during the 1989 legislative session. In many instances, sentences have doubled from what they were prior to passage of these measures. The issue here is not whether the laws should have been passed, but rather that the resources need to be provided to accommodate these changes.

2. Caseloads/Prison Populations

Between 1986 and 1991 the number of direct appeals increased approximately 40%. From F.Y. 1991 to 1992 the number of appeals rose 20%. Prison discipline caseloads have increased approximately 48% since F.Y. 1987 and parole revocation case-loads have increased 76% since 1987.

The Department of Corrections records indicate an expected 61% increase in the inmate population between 1986 and January 1993. In addition, the new Faribault Correctional Facility will reach a population of over 500 during this biennium.

3. Transcripts

The Office of the State Public Defender cannot control the costs of the transcripts it must order, transcripts must be ordered in every case. Predicting the biennial cost of these is also very difficult since costs vary between Judicial Districts.

The increased number and complexity of cases combined with the fact that the court considers these transcripts to be nonmandatory (not ordered by the court and therefore charged at a higher rate) makes it even more difficult to predict the costs of this item over a biennium. For the third time in the last 5 years, the office went to the Legislative Advisory Committee (LAC) for funding of this problem. The item was never placed on the agenda. This year alone the budgeted amount for transcripts will be exceeded by some \$81,000. The issue continues to be not so much one of cost but of eligibility and as such is one which the office cannot control.

OUTCOMES: The most important outcome is to provide competent representation and to fulfill the legal responsibilities required for appellate representation. Cases here often "make law" and time to prepare properly insures that the development of case law is a thoughtful process.

For example, it is logical to assume that as an attorney has more time to spend on a particular case or group of cases, that the attorney will be better prepared and provide a better defense. The office has attempted to accomplish this within its limited resources by using law clerks where possible. These have been or will be hired through a University of Minnesota program thereby reducing the costs and freeing up additional attorney time. Standards established by the NLADA (National Legal Aid and Defenders Association) indicate that the caseload now being handled in the State Public Defender Office should require 17 (full-time equivalent) FTE attorneys. Currently the office staff is 11.5 FTE, a gain of only .5 FTE over the past 6 years.

OBJECTIVES:

1. Meet NLADA Standards for Appellate Public Defenders

The F.Y. 1994-95 budget request would provide additional resources to begin this process. Over the next 2 bienniums it is hoped that through an increased use of law clerks, slower growth in caseloads, and additional funding, the office can begin to meet these standards by F.Y. 1998.

2. Reduce the time spent on LAMP waiting list to 1989 levels

The LAMP Program has had increasing difficulty fulfilling its responsibility of providing prisoners with access to the courts. The time spent on the LAMP waiting list is not nearly a full year, up from 3 months in 1989.

This program operates on the law clinic model. This relationship with the University Law School and William Mitchell College of Law provides virtually free space for most State Public Defender Staff. To maintain this it is necessary that the attorneys have time to adequately supervise the students.

3. Reduce the caseload to attorney ratio to in LAP

In F.Y. 1987 this program handled 1,617 disciplinary hearings and 468 parole revocation hearings. In F.Y. 1992 these figures increased to 2,400 and 822. LAP has added 1.0 staff person in the last the years. The budget request would provide for reducing this overall caseload to attorney ratio.

PROGRAM PLAN: The office has made major improvements in its operation and handling of cases. It has sought out and is using a University law clerk program which will free up attorney additional attorney time, and it has started a program to use volunteer attorneys. The issue continues to be that caseloads are growing at a faster rate than the office is able to keep up with even with these improvements. Any additional savings or improvements has traditionally been consumed by the ever increasing transcript budget. Again this year the office fell some \$81,000 short in payment of transcripts. There is no other choice but to request additional resources for this office.

GOVERNOR'S RECOMMENDATION: Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Board of Public Defense to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Board of Public Defense will receive no additional funds in 1994-95. Furthermore, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BD OF PUBLIC DEFENSE
PROGRAM: STATE PUBLIC DEFENDER
ACTIVITY: PUBLIC DEFENDER

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,533	1,640	1,768	1,758	2,035	1,817	1,758	2,096	1,817
EXPENSES/CONTRACTUAL SRVCS	71	79	83	82	99	92	82	99	92
MISC OPERATING EXPENSES	72	86	103	82	91	82	82	91	82
SUPPLIES/MATERIALS/PARTS	372	301	347	275	394	343	275	434	343
CAPITAL EQUIPMENT					15				
SUBTOTAL STATE OPERATIONS	2,048	2,106	2,301	2,197	2,634	2,334	2,197	2,720	2,334
LOCAL ASSISTANCE			30	30	30	30	30	30	30
TOTAL EXPENDITURES	2,048	2,106	2,331	2,227	2,664	2,364	2,227	2,750	2,364
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<61>			<61>
(B) CASELOAD INCREASES			GEN			<239>			<325>
TOTAL GOV'S INITIATIVES						<300>			<386>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,048	2,029	2,214	2,121	2,558	2,258	2,121	2,644	2,258
STATUTORY APPROPRIATIONS:									
FEDERAL		77	117	106	106	106	106	106	106
TOTAL FINANCING	2,048	2,106	2,331	2,227	2,664	2,364	2,227	2,750	2,364
POSITIONS BY FUND:									
GENERAL	28.0	38.0	38.0	38.0	41.5	38.0	38.0	43.5	38.0

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BD OF PUBLIC DEFENSE
PROGRAM: STATE PUBLIC DEFENDER
ACTIVITY: PUBLIC DEFENDER

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	28.0	38.0	38.0	38.0	41.5	38.0	38.0	43.5	38.0

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F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Public Defense, Board of
 PROGRAM: State Public Defender
 ACTIVITY: State Public Defender

ITEM TITLE: Caseload Increases

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$239	\$325	\$337	\$349
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Board of Public Defense to present its budgetary needs directly to the legislature for consideration.

This request from the Board of Public Defense would provide funding to meet increased demand for the services provided by the Office of the State Public Defender. The request is for 1.0 attorney position in the Appellate Division, 1.5 attorney positions in the Legal Advocacy Project and 1.0 attorney in the Legal Assistance to Minnesota Prisoners Program. In addition, 2.0 full-time support staff would be added as well 4.0 part-time appropriation for the transcript deficit being faced in F.Y. 1993.

Last year the Appellate Division experienced a 20% increase in its caseload, and has experienced a 60% increase since F.Y. 1987. Under current national standards for appellate offices, the State Public Defender caseload would warrant a complement of 17.5 attorneys. The office now has 11.5 FTE attorneys, up only .5 FTE since 1986.

The LAMP program's last staff increase was in 1979. In the last 4 years alone, the number of cases here has increased by 47%. The waiting time for clients has increased from a few months in 1989 to about 1 year in 1992. The fact that many of these cases intolerable. The increase in staff is

necessary to provide proper supervision of student attorneys and preserve the relationships with the University and William Mitchell law schools which allow for free office space for most state public defender employees.

The LAP program faces a similar problem. The caseloads here are a direct reflection of prison populations. In F.Y. 1987 the office handled 1,617 disciplinary cases and 468 parole revocations. By F.Y. 1992 the case loads had increased by 489% and 76% respectively. Due process in prison discipline is a major factor in curbing prison unrest.

PROGRAM OUTCOMES:

As outlined previously, caseloads and costs for the most part are determined by factors outside of the control of the office. The office has in recent years won a federal grant, increased its used of student and applied for and received funding through the University for law clerk positions. It has developed a volunteer program so that the private bar can contribute its time and energy. It has also, where possible exercised its judgement in cases that it accepts. All of this has been done in an effort to keep up with an ever increasing caseload and prison population. Despite these efforts the office faces a caseload and funding crisis. The caseload issue is outlined above. The funding crisis will again come in the area of transcripts, where the office ran a F.Y. 1992 deficit of some \$81,000.

LONG-TERM IMPACT:

If caseloads continue to increase at such a rapid rate, the office will be unable to continue to provide the services required. Already the transcript funding problem threatens not only the office budget, but also the operation of the state Court of Appeals.

The appellate cases often "make law" in the appellate court. It is therefore essential that attorneys have the time necessary to adequately prepare their cases not only for the clients sake but also to insure that the development of this caselaw is a thoughtful process.

1994-95 Biennial Budget

PROGRAM: District Public Defense
AGENCY: Public Defense, Board of

PROGRAM PURPOSE:

There are 10 Judicial Public Defender Offices in Minnesota which provide defense services for persons accused of felony and gross misdemeanors. In addition, services in juvenile and misdemeanor cases are provided in the 2nd, 3rd, 4th, 6th and 8th Judicial Districts.

PROSPECTS:

1. Caseload Standards/Caseloads

After review of the Weighted Case Load Study (commissioned by the 1989 Legislature) the board adopted caseload standards for attorneys under its jurisdiction. According to these standards, in 1 year a full-time equivalent (FTE) attorney should handle no more than 125 felony cases, or 275 gross misdemeanor cases, or 400 misdemeanor cases, or 80 juvenile welfare cases, 175 juvenile cases, or 200 other cases. Currently, every district is exceeding these caseload standards.

It is estimated that 75% of those charged with a crime in the state of Minnesota are indigent require public defender counsel. This figure is even higher in the 2nd and 4th Districts which include the 2 core cities. There has been an approximate 25% increase in public defender caseloads between 1989 and 1991. The result in multi county districts is attorney handling more cases and putting in more hours for the same compensation. Not only does the quality of defense suffer, but it makes it more difficult to attract and retain competent public defenders who can work part time and maintain a private practice. In the full time districts, it means caseloads well in excess of the board's adopted standards.

Constitutional mandates, the Minnesota Rules of Professional Conduct and Court rules require that an attorney not exceed the number of cases in which she or he can provide effective representation. Attorneys under the board's jurisdiction may be in danger of violating these requirements. In addition, in a recent decision the Minnesota Court of Appeals recently ruled that public defenders are not immune from being sued for malpractice as are prosecutors.

2. Penalties and Enforcement

In recent years there has been a significant emphasis at the state and federal level to increase penalties on existing crimes. In addition, there have been new statutory penalties enacted to deal with specific populations or issues. Stiffer penalties, stricter enforcement and difficult economic times have resulted in a significant increase in public defender caseloads. New crimes and increased penalties created in recently passed crime bills have all served to increase the number and difficulty of cases in the public defender system.

In the past several years there has been a significant increase in funding of local prosecutors and police on the national, state and local level. This lack of funding combined with increased arrests and prosecutions not only increase caseloads, but also results in an imbalance in the criminal justice system. The diminished position of the defense means that the prosecution and the police no longer need to prioritize cases, and the prosecution is less likely to enter into early

settlement negotiations, knowing that the defense does not have the resources to either go to trial, or investigate further the circumstances of a crime or arrest. The result is that cases are often held over to several court appearances consuming precious court, defense and prosecution time.

3. Increased Judgeships

For every judgeship created there is an additional court calendar which the defense must "cover". This puts an enormous strain on the public defense system since the defenders are expected to be in front of the judge at the appointed time. In multi county districts the result is increased travel costs or worse yet defenders who must be in 2 cities at one time.

4. Control of Caseloads

The public defense system does not and cannot control its caseload. Eligibility for services is determined by the Court or the individual judge.

5. Forfeitures

Recently enacted forfeiture laws continue to provide prosecutors and police with substantial resources which not only cannot be matched by the defense, but cannot be reviewed, since it is generally outside the regular budget review of even the local units of government.

6. Funding of Science on One Side

An ever increasing problem in all of the criminal justice system is the cost of "expert witnesses". These experts range from DNA specialists, to psychologists, to forensic experts. The real problem for the defense is that the State and local units have funded these services only for the prosecution. The Bureau of Criminal Apprehension has many of these "experts" on staff or contract and are able to aid the prosecution in this way. In addition, the federal government has made available to prosecutors the services of the FBI and other agencies for these purposes. A similar system does not exist for the defense. This forces the defense to go "outside" for these (when they can be afforded) services and at a considerable cost to the system and local units of government. A recent DNA case in the 4th District cost the defense (state) some \$30,000. A case in Mille Lacs County recently had 7 experts from various agencies testify or work for the prosecution. The defense in this case was forced to go to the Court to have them order the County to pay \$3,000 for one expert.

7. Second and 4th District Salary and Benefit Contracts

Employees in the 2nd and 4th Judicial District Public Defender Offices are covered by contracts negotiated with the Ramsey and Hennepin County Boards. These settlements have not been accommodated in past budget cycles. This lack of accommodation threatens the entire system as well as the services in these 2 districts since the Board does not have the resources to fund these settlements.

8. Employee Status in Multi County Districts

There still remains the question of "whose employees are these." The status, or lack of status is an important question in terms of unemployment compensation, workers compensation, qualification of benefit programs under federal regulations, and the provision of salary and benefits for these individuals.

1994-95 Biennial Budget

PROGRAM: District Public Defense
AGENCY: Public Defense, Board of
(Continuation)

OUTCOMES:

It is difficult to determine what specific outcomes for legal defense work should be. The most important outcome is to provide competent legal representation and to fulfill the legal responsibilities required for representation. It is logical to assume that as an attorney has more time to spend on a particular case, the attorney will be better prepared, provide a better defense and insure that the criminal justice system maintains the balance necessary between prosecution and defense.

The single most important outcome for the public defense system is to have case loads which allow for competent representation of clients. This is reflected in the standards established by the Board of Public Defense.

The State Public Defender, board staff and District Chiefs have been meeting with the Supreme Court, Conference of Chief Judges and District Administrators in an effort to improve and streamline procedures, reduce caseloads, and reduce the time necessary to process cases. Some of these efforts have been or will be implemented by the courts or public defenders. For example, in the 8th District there is a consolidated arraignment calendar for 3 counties. This consolidation allows enough cases to be held in one place at one time so that it is cost effective to have a public defender, prosecutor and judge in court for an entire day. Other changes, such as mandating diversion programs for nonviolent offenders and small time drug offenders will need legislative changes.

The public defender system itself is making changes to streamline its handling of cases. In the 2nd Judicial District Public Defender Office paralegals are used extensively. The 4th Judicial District Public Defender Office has automated the printing of all "face sheets" (client histories). The 4th District "donates" (when available) the services of its own nationally known DNA expert to other districts. The 6th District Chief Public Defender recently held a training session for defenders in the 3rd District.

OBJECTIVES:

1. Caseload Standards/Quality Services

The budget request would provide for meeting the case load standards by F.Y. 1999. Adoption and funding of case load standards combined with the establishment of full time districts would provide the public defender system with the resources to provide adequate attorney time, investigation services and sentencing advocate services to competently represent the system's clients. It would also restore the balance between the prosecution and defense which the judicial system rests on. This ultimately will save court and prosecution time, and in some instances prison costs if nonviolent cases can be diverted to sentences other than prison.

PROGRAM PLAN:

With the existing funding, increasing caseload, and salary and benefit increases in the two largest districts, there is little that can be done to implement the program plan. Improvements in case

management, sharing resources across districts, intra system training, use of paralegals, and other efficiencies will of course continue. However, the prospects of any significant improvement in the quality of representation appear slim without any additional funding.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Board of Public Defense to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Board of Public Defense will receive no additional funds in 1994-95. Furthermore, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BD OF PUBLIC DEFENSE
PROGRAM: DISTRICT DEFENSE
ACTIVITY: DISTRICT DEFENSE

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES			4,371	4,371	7,562	4,227	4,371	8,197	4,227
EXPENSES/CONTRACTUAL SRVCS			448	289	415	289	292	424	292
MISC OPERATING EXPENSES			304	304	394	304	304	400	304
SUPPLIES/MATERIALS/PARTS			112	112	263	112	112	263	112
CAPITAL EQUIPMENT					234				
SUBTOTAL STATE OPERATIONS			5,235	5,076	8,868	4,932	5,079	9,284	4,935
LOCAL ASSISTANCE	16,719	18,022	15,358	15,358	18,656	15,358	15,358	19,341	15,358
TOTAL EXPENDITURES	16,719	18,022	20,593	20,434	27,524	20,290	20,437	28,625	20,293
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<144>			<144>
(B) PHASED IN WGTED CASE LOAD STANDARDS/GROUP INS			GEN			<5,579>			<6,842>
(B) ESTABLISHED FULL TIME DISTRICT OFFICES			GEN			<1,511>			<1,346>
TOTAL GOV'S INITIATIVES						<7,234>			<8,332>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	16,719	18,022	20,593	20,434	27,524	20,290	20,437	28,625	20,293
TOTAL FINANCING	16,719	18,022	20,593	20,434	27,524	20,290	20,437	28,625	20,293
POSITIONS BY FUND:									
GENERAL					33.0			33.0	
TOTAL POSITIONS					33.0			33.0	

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Public Defense, Board of
 PROGRAM: District Public Defense
 ACTIVITY: District Public Defense

ITEM TITLE: Phased in Weighted Case Load Standards and Group Insurance

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$5,579	\$6,842	\$7,081	\$7,329
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Board of Public Defense to present its budgetary needs directly to the legislature for consideration.

This request from the Board of Public Defense would provide funding for the first phase of implementing the Weighted Case Load Standards in all Judicial Districts, as well as providing district public defenders with group insurance benefits, and a 3.5% cost of living adjustment for all personnel. Funding would provide the necessary attorney, and support staff to begin to meet the caseload standards a 100.0 FTE position in F.Y. 1994 and 200.0 FTE positions in F.Y. 1995. The board would seek funding in the following 2 bienniums, with the goal of achieving the full case load standards by the end of F.Y. 1999.

In 1989 the legislature provided funding for a Weighted Case Load Study of the District Public Defender System. From this study the board adopted caseload standards for public defenders. The standards govern the number of cases and ultimately the time put in by a full-time equivalent public defender on each type of case. The standards are as follows: Felonies 100-150 cases per year, gross misdemeanors 275 cases per year, misdemeanors 400 per year, child welfare 80 cases per year, other juvenile cases 175 per year, other types of cases 200 per year. Caseload standards are

being exceeded in every judicial district in Minnesota. This has severe consequences for public defender clients as well as the goal of moving defendants through the criminal justice system.

Constitutional mandates, the Minnesota rules of professional conduct and court rules require that an attorney not exceed the number of cases for which she or he can provide effective representation. In addition, in a recent decision the Minnesota Court of Appeals ruled that public defenders (unlike prosecutors) are not immune from malpractice liability.

Currently district public defenders in multi-county districts do not have state group insurance benefits, and only 3 districts have access to county benefits. This proposal would allow staff who work the required number of hours to receive group insurance benefits through the state.

PROGRAM OUTCOMES:

It is difficult to quantify outcomes for legal defense services. This is especially true since the public defense system does not control the intake of its clients. The processing is controlled by many different variables including police, prosecution, and the courts. One of the outcomes that public defense can control to some point and which is also an input, is the number of attorney investigation and sentencing advocate hours per case. Currently, every district is below the board approved standard and national standard for public defense caseloads. Funding would provide for more competent representation and reduce exposure for the state in professional liability cases. Increased resources in the area of diversion and employment of sentencing advocates would mean that more non-violent offenders would be sentenced to alternative probation and community based programs other than high cost prison. Early settlement of cases would be enhanced with increased attorney and investigation resources. A more balanced system provides greater incentive for the defense and prosecution to settle cases early, saving precious court time. The criminal justice system as a whole operates more efficiently where there are adequate resources on both sides and where there are adequate resources to provide the necessary services when and where the court requires. This reduces waiting times, layovers and other time consuming activities.

LONG-TERM IMPACT:

The funding and implementation of the case load standards could in the long run save not only save prison costs, court time and prosecution time, but could also save the time of the law enforcement community. A properly funded defense system helps to ensure that the prosecution will prioritize their cases, and that law enforcement agencies will not only prioritize their cases but also follow established arrest and holding procedures.

The State Public Defender and board staff have been meeting with the supreme court, district administrators and the conference of chief judges in an effort to improve procedures, reduce caseloads and reduce the time necessary to process caseloads. Some of these have been or will be implemented by the courts and public defenders. Some of these may require legislative changes.

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Public Defense, Board of
PROGRAM: District Public Defense
ACTIVITY: District Public Defense

ITEM TITLE: Establish Full Time District Offices

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,511	\$1,346	\$1,391	\$1,440
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Board of Public Defense to present its budgetary needs directly to the legislature for consideration. This request would provide for establishment of 5.0 full-time public defender offices in the 1st, 5th, 7th, 9th, and 10th judicial districts.

The board of Public Defense has been working to implement the recommendations of the recent Legislative Auditor's Report. The board sought and was granted the elimination of the host county system and the method of paying host counties. In January of 1993 with the transfer of these functions to the state, specific budget categories and detailed spending plans will be in place. The above request would fund the auditor's recommendation to "create full time positions...outstate." Finally, and most importantly the request would provide better service to the client since the offices would only do public defense work.

PROGRAM OUTCOMES:

While it is difficult to quantify outcomes for legal defense services, there are some things we do know. Part-time attorneys and staff while providing quality, cost effective services, cannot always provide the increased time necessary for public defense cases while at the same time maintaining a

private practice. This is especially true of the Chief Public Defenders who have administrative duties as well as caseloads. The establishment of full-time offices would provide greater resources not only within districts, but also between districts since these positions would no longer be part-time. Accountability would be enhanced since the full-time positions would be governed by the same personnel rules as are other Judicial Branch employees. Full-time district chiefs would also provide greater supervision throughout their districts.

LONG-TERM IMPACT:

The establishment of full-time public defender offices would not only provide better services and greater accountability, but it would also provide a great resource for the eventual assumption by the state of juvenile and misdemeanor services in these districts. The full-time positions would provide the critical base needed to ensure that services are continued and the proper controls are in place before the assumption of the costs of these services by the state.

PROGRAM: Board of Public Defense
AGENCY: Public Defense, Board of

PROGRAM PURPOSE:

The Administrative Services Office provides policy direction and guidance for the agency's programs and overall management of its activities. It provides staff support to all public defender organizations as well as implements the board's policies, rules and regulations. In addition, it is responsible for management of the information systems relating to cases, budget, and personnel.

The Public Defense Corporations are community based legal service entities serving indigent American Indians, Hispanics, Southeast Asians, and Blacks. The primary purpose of the corporations is to provide criminal and juvenile defense services to minority indigents so that a high quality independent defense system may be maintained for those unable to afford private counsel.

PROSPECTS:

1. Structure

The structure of the board has changed substantially in recent years. Major changes to the boards powers, duties, relationship to the State Public Defender and Chief Public Defenders, and its very composition have occurred in 1987, 1989, and 1990. Over the past few years the Chief Public Defender and board staff have been working to implement these changes. Specifically, statewide standards have been adopted covering personnel, compensation, budget administration, training, and creation of full time chief public defender positions as well as assistant public defender positions in the multi county districts. Caseload standards have been adopted, but need funding to be implemented. Standards on eligibility and conflicts are in the process of being developed. The board is looking forward to a biennium with little or no change in structure so that it may move forward on these goals.

2. Administration of Statewide System/Accountability

During the 1992 Session the Board of Public Defense requested and received funding for implementation of an automated management information system to track caseloads and attorney time. In addition, the board sought and received funding for the costs associated with centralizing the budget of the multi county districts. The management information system went into effect in August of this year, and the budget will be centralized on 1-1-92, the date mandated by the Legislature. Specific budget categories and detailed spending plans are a part of this change to a centralized budget. A Legislative Auditor's Report in February of 1992 confirmed the board's need for the requested changes.

OUTCOMES:

The board is seeking to improve accountability, clarify multi county district public defender status, and improve the management of a statewide public defender system.

OBJECTIVES:

1. Improved Administration/Accountability

The "host county" administration and method of paying host counties has been eliminated in the multi county districts. Part time chiefs have or will have received training in management.

The board has moved toward contracting with part time attorneys. As part of the move to a centralized budget the attorneys will be required to sign an employment agreement, stating their salary, how cases will be assigned, and making it clear that they must maintain their attorney license. Contracting on a per hour basis or by the case is not feasible given the board's limited resources and increasing caseloads.

The board has implemented the management information system. The centralized budget system will be implemented 1-1-93. Standards covering many areas of public defense administration, caseload, and case work have been or are in the process of being developed.

2. Who is the employer?

The board will seek legislation that outlines in a definite fashion the employer and employee relationship for assistant district public defenders in multi county districts.

PROGRAM PLAN:

Under the current budget plan the Administrative Services Office plans to continue to pursue these outcomes and objectives through the next biennium.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Board of Public Defense to present its budgetary needs directly to the legislature for consideration. However, the Governor's budget recommendations anticipate that the Board of Public Defense will receive no additional funds in 1994-95. Furthermore, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BD OF PUBLIC DEFENSE
PROGRAM: BOARD OF PUB DEFENSE
ACTIVITY: BD OF DEFENSE

ACTIVITY SUMMARY	FY 1994			FY 1995					
	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.		
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	246	262	412	422	423	409	422	423	409
EXPENSES/CONTRACTUAL SRVCS	67	61	72	73	73	73	73	73	73
MISC OPERATING EXPENSES	15	46	62	63	63	63	63	63	63
SUPPLIES/MATERIALS/PARTS	31	32	37	64	64	64	64	64	64
CAPITAL EQUIPMENT			12	12	12	12	12	12	12
SUBTOTAL STATE OPERATIONS	359	401	595	634	635	621	634	635	621
LOCAL ASSISTANCE	680	777	832	832	897	832	832	929	832
TOTAL EXPENDITURES	1,039	1,178	1,427	1,466	1,532	1,453	1,466	1,564	1,453
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<14>			<14>
(B) GRANT INCREASE/FOUNDATION SUPPORT			GEN			<65>			<97>
TOTAL GOV'S INITIATIVES						<79>			<111>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,039	1,145	1,389	1,443	1,509	1,430	1,443	1,541	1,430
STATUTORY APPROPRIATIONS:									
FEDERAL		33	38	23	23	23	23	23	23
TOTAL FINANCING	1,039	1,178	1,427	1,466	1,532	1,453	1,466	1,564	1,453
POSITIONS BY FUND:									
GENERAL	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: BD OF PUBLIC DEFENSE
 PROGRAM: BOARD OF PUB DEFENSE
 ACTIVITY: BD OF DEFENSE

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Public Defense, Board of
PROGRAM: Board of Public Defense
ACTIVITY: Legal Defense Corporations

ITEM TITLE: Grant Increase/Foundation Support

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- Local Support	\$65	\$97	\$97	\$97
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statute affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Board of Public Defense to present its budgetary needs directly to the legislature for consideration.

This request from the Board of Public Defense would fund a 3.5% inflation adjustment for the Public Defense Corporations. It would also fund 1.0 attorney in the Minneapolis Legal Rights Center which is being lost due to reduced foundation support.

The Public Defense Corporations are community based legal service entities providing criminal and juvenile defense services to minority communities in Minneapolis, St. Paul, Duluth, and the Leech Lake and White Earth Indian Reservations. The Corporations provide cost effective, competent legal representation to indigent members of the minority community who often feel overwhelmed or threatened by the legal system. The 3.5% increase would allow the corporations to continue to provide the current level of services and provide their current staff with a small salary increase.

Funding for the attorney position would replace foundation support which was lost this year. The corporations (as are all nonprofits) are finding increased competition for corporation and foundation support, at the same time corporation and foundation giving is being scaled back or refocused.

PROGRAM OUTCOMES:

Keeping the Public Defense Corporations adequately funded is an important piece of the legal defense system. It is especially important in providing quality legal services to the minority community. Also, it must be remembered that most if not all criminal cases handled by the Public Defense Corporations would end up in the public defense system.

LONG-TERM IMPACT:

The Public Defense Corporations form an integral part of the legal defense system in the state of Minnesota. Adequately funded, the corporations can provide cost effective quality legal services to the minority community and inner city poor. Without continued support the caseloads handled by the corporations will enter the public defender system placing additional stress on an already overburdened system.

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Minnesota Tax Court

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	6.0	6.0
Total Permanent Positions	<u>6.0</u>	<u>6.0</u>
Other Complement (FTE)	.5	.5
TOTAL Positions	<u>6.5</u>	<u>6.5</u>
Employees on 6/30/92	6.5	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	6.0
Part-Time Unlimited	.5
TOTAL	<u>6.5</u>

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: TAX COURT

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) SALARY PLANNING ESTIMATES	GEN	<13>	<13>	<26>			
(B) RESTORE AGENCY REDUCTION	GEN	26	28	54			
TOTAL BY FUND	GEN	13	15	28			
TOTAL INVESTMENT INITIATIVES		13	15	28			

1994-95 Biennial Budget

AGENCY: Minnesota Tax Court

MISSION STATEMENT:

The Minnesota Tax Court is a specialized trial court with statewide jurisdiction providing timely and equitable disposition of taxpayers cases involving Minnesota's tax laws, including orders of the Commissioner of Revenue and local property tax assessments (valuation, classification and/or exemption of real and personal property.)

Hearings are held throughout the state and decisions are published as reference information for the tax related community.

MINNESOTA MILESTONES:

The Tax Court mission supports the Minnesota Milestone theme of "we the people - government in Minnesota will be cost efficient."

CLIMATE:

The Tax Court is a court of record under M.S. 271.01 which is directed by law to hear and determine matters arising out of the tax laws of the state. The Tax Court's hearings are to be held "without delay" and in a place which is convenient for the taxpayer.

These requirements mean that the court must be prepared to handle all appeals from orders of the Commissioner of Revenue, and any cases transferred to it by the district courts. The district courts routinely transfer all chapter 278 property tax petitions and occasionally some miscellaneous tax cases to the tax court. The Tax Court must have the capability to docket, track, schedule and dispose of all cases filed. When a hearing is held the Tax Court must provide a judge at the place in the state where the hearing will be held, a court reporter, and the support functions to issue and disseminate a written decision after the hearing.

The Tax Court experienced a 41% increase in property tax petitions in 1991 over the 1990 and another 25% increase in 1992. The appeals from orders of the Commissioner of Revenue, a relatively small part of our caseload, have been stable.

	F.Y. 1988	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992
Property Tax Petitions Filed	2,542	2,902	3,042	4,285	5,337

AGENCY BUDGET PLAN:

This budget is submitted in accordance with instructions requiring the absorption of an inflation factor, plus a 5% budget cut. A reduction will not permit this agency to continue the same level of services to our constituency.

BUDGET HISTORY:

In F.Y. 1992, the Tax Court's base level budget was \$600,000, of which \$110,000 was a special appropriation for the automation of the Tax Court office and docket system.

In F.Y. 1993, the Tax Court's base level budget was \$531,000, of which \$15,000 was appropriated for the continued automation of the Tax Court docket system.

OBJECTIVES:

- Dispose of cases within 1 year of filing even as filings increase each year.
- Eliminate case backlog to get docket within 1 year time frame.
- Improve time issuance of Tax Court decisions submitted to the court (after briefing process is complete.)
- Decrease percentage of number of cases continued for trial.
- Give parties longer notice of trial settings.
- Give immediate and prompt service from in person or phone contacts requesting Tax Court information and/or forms.

OUTCOMES:

- Taxpayer receives speedy disposition of case and receives information as to the necessity for future appeals.
- County is able to resolve cases quickly and therefore cut down on interest payments for refunds to taxpayers.
- Decisions are issued sooner resulting in parties knowing outcome and if refunds are forthcoming.
- A decrease in continuances will result in decline in cases backlog.
- Notice of trial settings will encourage settlement negotiations and allow parties more time to prepare for trial.

PERFORMANCE INDICATORS:

1. All cases will have a hearing date assigned within 1 year of filing.
2. Decisions will be issued within 4 weeks of submission to the court.
3. Continued cases will be reduced to 20% of monthly calendar settings.
4. All trial notices will be sent to parties with a minimum 3 month notice.
5. Requests for forms and information be given immediately or if by mail within same day as requested.

REVENUE:

	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Non-Dedicated General	\$5	\$6	\$8	\$8	\$8

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments: restoring reductions proposed with the agency plan for an amount of \$54,000 for the biennium; and a reduction of funding from anticipated savings due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TAX COURT
PROGRAM: TAX COURT
ACTIVITY: TAX COURT

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	376	402	408	408	408	395	408	408	395
EXPENSES/CONTRACTUAL SRVCS	61	139	89	89	69	89	86	60	86
MISC OPERATING EXPENSES	13	25	24	24	20	24	24	22	24
SUPPLIES/MATERIALS/PARTS	9	12	10	10	8	10	10	10	10
CAPITAL EQUIPMENT	3	22							
SUBTOTAL STATE OPERATIONS	462	600	531	531	505	518	528	500	515
TOTAL EXPENDITURES	462	600	531	531	505	518	528	500	515
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<13>			<13>
(B) RESTORE AGENCY REDUCTION			GEN			26			28
TOTAL GOV'S INITIATIVES						13			15
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	462	600	531	531	505	518	528	500	515
TOTAL FINANCING	462	600	531	531	505	518	528	500	515
POSITIONS BY FUND:									
GENERAL	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
TOTAL POSITIONS	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0

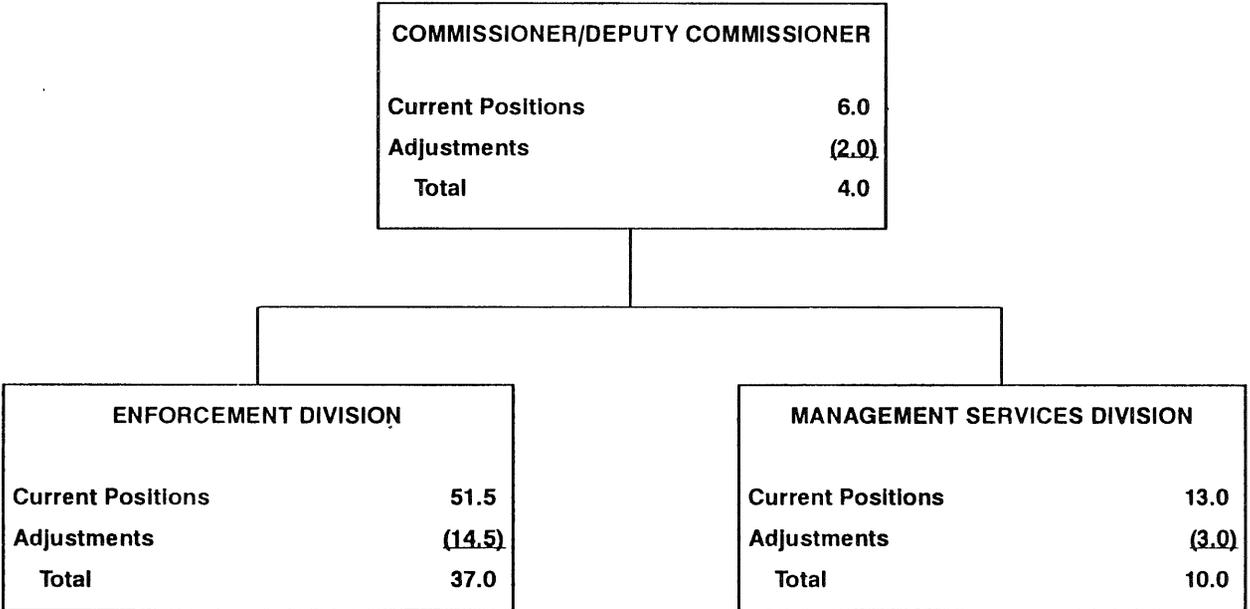
STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: TAX COURT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	531	531	531	531				
TECHNICAL ADJUSTMENTS								
NON-RECURRING EXPENDITURES	<6>	<9>	<6>	<9>				
DOCUMENTED RENT/LEASE INC/DEC	4	4	4	4				
INSURANCE PREMIUM HOLIDAY	2	2	2	2				
SUBTOTAL TECH. ADJ.		<3>		<3>				
CURRENT SPENDING	531	528	531	528				
AGENCY BASE	531	528	531	528				

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Department of Human Rights Organization Chart 7/1/92



Department of Human Rights
Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	70.5	70.5
TOTAL Positions	<u>70.5</u>	<u>70.5</u>
Employees on 6/30/92	66.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	66.0
TOTAL	<u>66.0</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Human Rights, Department of

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
Agency Management Challenge			
CURRENT SPENDING	\$3,157	\$3,157	\$283.0
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$3,157	\$3,157	\$6,314
Inflation Cost Increases	111	227	338
Agency Management Decisions			
Agency Operations:			
Hold Positions Vacant/Layoffs			
Personnel Cost Savings	\$(297)	\$(363)	\$(660)
Layoff Costs	54	12	66
Reduce Operating Expenses	<u>(25)</u>	<u>(33)</u>	<u>(58)</u>
Subtotal	<u>\$(268)</u>	<u>\$(384)</u>	<u>\$(652)</u>
TOTAL AGENCY PLAN	\$3,000	\$3,000	\$6,000
Governor's Initiatives			
Restore Agency Reductions	\$157	\$157	\$314
Information Systems Project	170	55	225
<u>Additional Enforcement Caseload</u>	<u>50</u>	<u>50</u>	<u>100</u>
Salary Planning Estimates	<u>(86)</u>	<u>(86)</u>	<u>(172)</u>
Subtotal	<u>\$241</u>	<u>\$126</u>	<u>\$367</u>
	<u>\$291</u>	<u>\$176</u>	<u>\$467</u>
GOVERNOR'S RECOMMENDATION	<u>\$3,241</u>	<u>\$3,126</u>	<u>\$6,367</u>
	<u>\$3,291</u>	<u>\$3,176</u>	<u>\$6,467</u>

Brief Explanation of Agency's Overall Actions:

About 95% of the department's budget consists of personnel costs and operating expenses, so most savings must come from these categories. Currently, the department is able to fund only 62.0 of its 70.5 authorized positions within its F.Y. 1993 budget. The plan for the next biennium requires that an additional 9.0 positions in F.Y. 1994 and 2.0 positions in F.Y. 1995 be held vacant in order to generate sufficient savings. The plan will result in a savings in operating expenses such as office space, telephones, supplies, etc. commensurate with the staff reduction.

It is unavoidable that Human Rights Enforcement Officers must make up about half of any staff reduction. This, in turn, has a significant impact on the department's capacity to provide the services it is mandated to provide. Anticipated increases in individual and agency productivity will not be sufficient to make up for the staff loss.

Investigation of Charges of Illegal Discrimination: By the end of F.Y. 1995, it is anticipated that the caseload of each investigating enforcement officer will increase to twice the maximum optimal size, the average time needed to complete an investigation will double from about 1 year to over 2 years, and the total agency case load will grow by over 60%. The result will be a backlog of cases similar to the one that caused so many problems a decade ago.

Certification of Affirmative Action Plans: The department will review affirmative action plans and certify bidders and contractors but its response time will increase and the amount of technical assistance provided will decrease. Monitoring of plan implementation will be done on the basis of small samples or to investigate complaints. This will make it extremely difficult to determine the extent of actual compliance with this provision of the Human Rights Act.

Litigation: The remainder of the department's budget is used to litigate cases on behalf of charging parties. The total budget for this activity will not decrease although the department is seeking a legislative change to eliminate a requirement for the department to pay for hearings not requested by the Attorney General under the department's direction.

2. Impact on Staffing:	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	
Positions left Vacant or Eliminated	9.0	11.0	
3. Impact on Revenue Generation:	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
Direct - Federal Funding	\$(70.0)	\$(80.0)	\$(150.0)
Indirect - Civil Penalties	<u>(7.0)</u>	<u>(8.0)</u>	<u>(15.0)</u>
	\$(77.0)	\$(88.0)	\$(165.0)
4. Affected Statutes:			
None.			
5. Governor's Recommendation:			

The Governor recommends restoring reductions proposed in the agency's plan. Also, the Governor recommends \$225,000 for the biennium which incorporates an initiative for data processing, and \$100,000 for the biennium for additional enforcement case loads. The proposed funding has been reduced due to revised salary planning estimates.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: HUMAN RIGHTS, DPT OF

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) RESTORE AGENCY REDUCTION	GEN	157	157	314			
	SR				70	70	140
	FED				80	80	160
(A) SALARY PLANNING ESTIMATES	GEN	<86>	<86>	<172>			
(B) ENFORCEMENT CASELOAD	GEN	50	50	100			
(B) COMPUTER SYSTEMS DEVELOPMENT PROJECT	GEN	170	55	225			
TOTAL BY FUND	GEN	291	176	467			
	SR				70	70	140
	FED				80	80	160
TOTAL INVESTMENT INITIATIVES		291	176	467	150	150	300

AGENCY: Human Rights, Department of

MISSION STATEMENT:

The quality of life in Minnesota is directly related to the ability of all people to be free from discrimination. The physical, emotional, mental, social, and economic well-being of each person depends upon the provision of equal opportunity for all people. The economic and social health of our diverse society, in turn, depends on the well being of its people. Building upon Minnesota's progressive non-partisan civil rights tradition, the Department of Human Rights works to foster a society which respects, supports, and is enriched by each member of our increasingly diverse population, and works towards a future in which our children will never experience discrimination.

MINNESOTA MILESTONES:

A society that tolerates discrimination not only creates emotional pain and economic hardship for individuals and groups, but harms itself as well. The discriminatory denial of basic needs, such as housing, educational opportunities and employment, negatively affects the state's economic health. To remain economically competitive, Minnesota must foster the full economic participation of its diverse population. Morally and economically, Minnesota cannot afford to tolerate discrimination. State residents strongly hold to this view. It is inherent in the Minnesota Milestones statement that "we welcome, respect, and value people of all cultures, races and ethnic backgrounds" which was specified as a major policy goal. Securing this outcome has always been the primary role and function of the department. The investigation, education, and outreach services offered by the department are established to impact directly on the number of discrimination complaints (Indicator #33) and the percentage of people who say they have been discriminated against (Indicator #34).

CLIMATE:

Most charges of discrimination filed with the department are filed by individuals who believe they have been discriminated against in employment or housing and, to a lesser extent, in public accommodations or public services on the basis of their race, sex, age, or disability. In all categories, the number of charges filed steadily increased or remained high each year through F.Y. 1991. Between F.Y. 1985 and 1991, total charges filed increased over 55%.

There was a fall-off in charges filed in F.Y. 1992. This occurred, not because fewer individuals contacted the department in the belief they suffered discrimination, but because the department placed a greater emphasis on screening out non-jurisdictional matters prior to a charge being filed. While this administratively reduced the number of charges filed and later dismissed, it did not reduce the number of settlements reached or charges substantiated. The number of individuals filing jurisdictional, meritorious charges with the department is still increasing.

It is anticipated that the public demand for the department's services will continue to increase. The number of individuals seeking to file discrimination charges has historically increased between 5% and 10% per year. There is no reason to foresee a downward change in this trend. Recent events and other evidence suggest otherwise.

The number of certificates of compliance issued per year is expected to remain relatively constant so the need to monitor contracts to ensure the effective implementation of affirmative action plans will remain a critically undermet need of the department.

And there will continue to be a great need for the department to deliver educational programs to lessen discriminatory actions affecting Minnesota residents and assistive services to facilitate access to department services and programs on-site in both the Twin Cities area and in Greater Minnesota.

AGENCY BUDGET PLAN:

In spite of a growing need for additional resources, this budget request was prepared under the assumption that less funding will be available and the department will have to absorb ordinary cost increases due to inflation or employee salary increases. The nominal decrease is 5%, or about \$157,000, in actual state appropriated funds. But, given that salaries and other costs are likely to rise, the real effective decrease is more than 12% by the end of F.Y. 1995. The actual amount the department anticipates a need to absorb is about \$268,000 in the first year and \$384,000 in the second.

The department's budget plan, described below, has two components.

1. First, it must alleviate the shortfall by reducing costs. Nearly 83% of the department's budget is in the area of personnel costs. So, even after taking some proportional reductions in operating expenses and litigation costs, the department will have to reduce staff by about 15% over the biennium, 9.0 positions in F.Y. 1994 and another 2.0 positions in F.Y. 1995. Therefore, during the 3-year period, F.Y. 1993 to F.Y. 1995, the department will have reduced its staff level by 19.5 positions, over 27%, from its authorized complement of 70.5 positions to 51.0 positions.
2. And, second, it must mitigate the shortfall by increasing the effectiveness with which it utilizes the resources available to it. Through a variety of methods the department will attempt to increase productivity at approximately the rate demand for services is expected to increase, between 5% and 10%.

In reality, the department needs an additional \$400,000 in F.Y. 1994 and \$500,000 in F.Y. 1995 to fund the 19.5 positions, within its existing authorized staff complement of 70.5 positions, which are now being held vacant or will be held vacant under this budget plan. This is the minimum needed to ensure the enforcement caseload can be kept at a manageable level by using productivity increases to offset anticipated increases in charges filed and to handle the anticipated demand for certification of affirmative action plans and monitoring implementation of those plans by state bidders and contractors.

The problems the department was created to address are difficult and will be continuing. The outlook, based on this budget request, has severe implications which endanger the state of Minnesota's ability to continue in its role as an enlightened national leader in the encouragement of human rights and equal opportunity and in the combat of illegal discrimination for its residents.

GOVERNOR'S RECOMMENDATION:

The Governor recommends restoring reductions proposed in the agency's plan. Also, the Governor recommends \$225,000 for the biennium which incorporates an initiative for data processing, and \$100,000 for the biennium for additional enforcement case loads. The proposed funding has been reduced due to revised salary planning estimates.

**1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)**

AGENCY: HUMAN RIGHTS, DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
HUMAN RIGHTS ENFORCEMENT	3,021	3,212	3,161	3,176	3,019	3,310	3,176	3,019	3,195
TOTAL EXPENDITURES BY PROGRAM	3,021	3,212	3,161	3,176	3,019	3,310	3,176	3,019	3,195
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,000	3,196	3,142	3,157	3,000	3,291	3,157	3,000	3,176
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	19	16	19	19	19	19	19	19	19
FEDERAL	2								
TOTAL FINANCING	3,021	3,212	3,161	3,176	3,019	3,310	3,176	3,019	3,195
POSITIONS BY FUND:									
GENERAL	68.0	70.5	70.5	70.5	70.5	70.5	70.5	70.5	70.5
FEDERAL	1.5								
TOTAL POSITIONS	69.5	70.5	70.5	70.5	70.5	70.5	70.5	70.5	70.5

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: HUMAN RIGHTS, DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	3,161	3,161	3,142	3,142	19	19		
<u>TECHNICAL ADJUSTMENTS</u>								
INSURANCE PREMIUM HOLIDAY	15	15	15	15				
SUBTOTAL TECH. ADJ.	15	15	15	15				
CURRENT SPENDING	3,176	3,176	3,157	3,157	19	19		
AGENCY BASE	3,176	3,176	3,157	3,157	19	19		

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1994-95 Biennial Budget

PROGRAM: Human Rights Enforcement
AGENCY: Human Rights, Department of

PROGRAM PURPOSE:

The Minnesota Human Rights Act clearly establishes the purpose of the Human Rights Enforcement program. Most of the policies, procedures, and practices of the department are defined by M.S. 363 or derived from it. Section 12 of M.S. 363 states the public policy of the state of Minnesota. It declares that:

1. It is the public policy of this state to secure for persons in this state, freedom from discrimination;
 - a. in employment because of race, color, creed, religion, national origin, sex, marital status, disability, status in regard to public assistance, and age;
 - b. in housing and real property because of race, color, creed, religion, national origin, sex, marital status, disability, status with regard to public assistance, and familial status;
 - c. in public accommodations because of race, color, creed, religion, national origin, sex, and disability;
 - d. in public services because of race, color, creed, religion, national origin, sex, marital status, disability, and status with regard to public assistance; and
 - e. in education because of race, color, creed, religion, national origin, sex, marital status, disability, status with regard to public assistance, and age.

Such discrimination threatens the rights and privileges of the inhabitants of this state and menaces the institutions and foundations of democracy.

2. It is also the public policy of this state to protect all persons from wholly unfounded charges of discrimination. Nothing in this law shall be interpreted as restricting the implementation of positive action programs to combat discrimination.
3. The opportunity to obtain employment, housing and other real estate, and full and equal utilization of public accommodations, public services, and educational institutions without such discrimination as is prohibited by this law is hereby recognized as and declared to be a civil right.

The department's activities are also influenced by federal civil rights legislation. Under a work-sharing agreement with the U.S. Equal Employment Opportunity Commission (EEOC), the department investigates jointly filed cases. The General Fund is partially reimbursed for the department's costs when such cases are investigated according to time lines, rules and procedures established by the EEOC.

The Contract Compliance provisions of M.S. 363 encourage the creation of employment opportunities for minorities, women, and disabled persons by requiring that state agencies do business only with equal opportunity/affirmative action employers. Under rules adopted in June 1985, the Contract Compliance Unit must review and approve affirmative action plans of business entities before they are certified to bid on state contracts or receive state funds. The Contract

Compliance Unit also monitors the implementation of approved plans after certification and provides technical assistance to help businesses prepare or revise affirmative action plans to meet certification requirements and to correct problems in employment policies and practices.

PROSPECTS:

Over a period of years prior to F.Y. 1985, a large backlog of cases developed because more charges were filed than were closed. In 1984, the legislature authorized a major staff increase of 14.0 positions, from 53.0 positions to 67.0 positions. This was done to enable the department to eliminate the backlog and maintain its caseload at an acceptable level. Since F.Y. 1985, there has been a net increase of only 5% in the department's authorized staffing level, from 67.0 positions in F.Y. 1985 to 70.5 positions currently. During this same period the department's workload increased 55%. In F.Y. 1985 the department docketed 1,232 new charges of discrimination while in F.Y. 1991 it docketed 1,915 new charges. The department was able to absorb this increase in workload with a relatively minor change in its workforce.

Due to lack of resources, the department has never been able to maximize its efforts in any single area of responsibility. But it has attempted to optimize its efforts in different areas to the extent possible with the staff and other resources available. Over time, the department has met changing priorities and mandates through the internal reallocation of positions and responsibilities rather than through significant increases in overall resources. For example:

1. As the backlog was eliminated, positions were shifted from the backlog project to current investigations to keep up with the 55% increase in charges filed between 1985 and 1991.
2. In 1986, the department established the Community Services Unit to provide more accessible enforcement services directly to Greater Minnesota. The unit maintains regularly scheduled office hours in Mankato, Rochester, Willmar, Bemidji, Moorhead, and Duluth. It provides supplemental intake and case investigation services in all areas of discrimination.
3. In eliminating the backlog and trying to close cases expeditiously, the department was subject to complaints that it accepted too many cases because potential charges were not being carefully screened and that its investigations were not thorough enough to appropriately resolve all cases. In F.Y. 1987, the department created a separate Intake Unit, staffed with its most experienced investigators so potential charges could be screened more carefully and accurately.
4. In 1988, legislative amendments to the contract compliance portion of the M.S. 363 expanded the scope of this effort and resulted in an increased workload for the Contract Compliance Unit. These amendments have clarified that many non-governmental contractors who previously were awarded state contracts without affirmative action plans are now required to have one and obtain a certificate of compliance. In addition, M.S. 363 requires companies to provide data on their operations both within Minnesota and outside of it. This has increased the number of companies requiring certificates and the amount of data they must supply.

Monitoring contracts to ensure that stated goals are being achieved is an essential component in enforcing this portion of the M.S. 363. Because they were unable to do much monitoring of plan implementation and, at the same time, provide timely review of applications for new and renewed certificates of compliance, issuing certificates became the *de facto* sole priority of the staff of the unit. A 1990 Legislative Auditor's report criticized, as insufficient, the level of monitoring conducted on construction and other contracts. In 1991, the department addressed

1994-95 Biennial Budget

PROGRAM: Human Rights Enforcement
AGENCY: Human Rights, Department of
(Continuation)

this problem by transferring additional positions to this unit to increase monitoring capabilities.

During the F.Y. 1992-93 biennium, the department was forced to hold a substantial number of positions vacant in order to operate within the funds appropriated to it. As a result, although its authorized complement is 70.5 positions, the department will only be able to utilize 62.0 during the current fiscal year. This is an effective staff cut of 12% which severely impairs the productive capacity of the department. The 8.5 positions not being filled are distributed among all classes and types of positions throughout the agency. These include 3.0 management or supervisory positions and 5.5 professional or clerical positions. And, 4.5 are direct service positions while 4.0 are administrative or support positions. Although over half of the department's staff are enforcement officers, less than half of the positions being held vacant are in that classification. Even so, the department has to hold 3.5 case investigating enforcement officer positions vacant.

During the next biennium, charges filed will so far outstrip the department's capacity that the caseload will be at a critical level. Even if the department can offset projected increases in the demand for its services with productivity increases, its overall productivity will fall by 10% to 15% per year due to a loss of staff resources. Unless the number of investigators is increased, the department will reach a productivity ceiling. There is a real danger that, unless it arbitrarily restricts the charges it accepts or dismisses them prematurely, the services of the department could be so constrained by the size of its case inventory that it could become ineffective and of little real value. This happened once before, in the early 80s, when the department's backlog of cases exceeded its capacity to deal with them. The parallels to that era are striking. The staff level of the department in F.Y. 1983 was 53 positions and the anticipated staff level in F.Y. 1995 will be 51. The size of the backlog will be about the same, it just took longer to develop then because 50% fewer charges were being filed annually. The problem was resolved then by a temporary legislative authority to arbitrarily dismiss a majority of the cases based, not on their merits, but on their time in the caseload and by an addition of 14 positions to process the cases. The only difference is that the former backlog was alleviated by a staff increase rather than caused, as it will be this time, by a staff decrease. The department must maintain or, ideally, increase its investigative staff if it is to effectively manage its workload of charges of illegal discrimination and be a factor in the resolution of specific charges and in the elimination of discrimination in this state.

The applications for certificates of compliance will remain steady or increase while the department's capability of processing and monitoring them will decrease. The inability to efficiently process these applications will cost the state money in increased contract costs by decreasing competition. The inability to monitor approved plans will cost women, minorities and persons with disabilities jobs.

OUTCOMES:

The department seeks two outcomes for the residents of Minnesota: the elimination of discrimination and the promotion of equal opportunity. However, the department does not have the resources to measure either of these outcomes.

It cannot measure the incidence and prevalence of illegal discrimination directly, but it can impute it from the charges filed with the department and from the anecdotal evidence it receives. From these indicators, it does not appear that discrimination is on the wane in Minnesota. On the contrary, inquiries to the department remain at an all time high and charges filed are increasing. Some reasons for this may be the impact of the economy on employment opportunities, the greater presence of persons of color in Greater Minnesota and the tensions that appears to be causing, the lessening of tolerance for harassment and hate crimes, the heightened sensitivity of women and men to sexual harassment, and the impact of the Americans With Disabilities Act.

The desired outcome of the state's contract compliance program is jobs for women, persons of color and persons with disabilities. The department is working on implementing a system to accurately measure the impact of this program. While this information may not be transferable to non-participants as a societal indicator, it will measure the impact of this specific program on the entities that participate in it.

OBJECTIVES:

The Minnesota Department of Human Rights is dedicated to eliminating illegal discrimination and remedying the impact of discrimination on the lives of the people of Minnesota. To accomplish these goals, the department will:

1. Motivate organizations and individuals to comply with the Human Rights Act by vigorously enforcing the law, specifically, by investigating discrimination complaints and engaging in conciliation and persuasion.
2. Provide incentives for complying with the Minnesota Human Rights Act by reviewing state contractors through the contract compliance program, in order to foster and encourage a climate free of historic discriminatory barriers to the employment of people of color, women and persons with disabilities.
3. Act as a state leader in the area of human rights. To maintain this leadership role, the department recognizes that it must anticipate and identify changes in the social environment that affect human and civil rights issues. The department will, therefore, actively work to create and strengthen its relationships with relevant public, private and community-based organizations, in order to share information and cooperatively recognize and address emerging civil rights issues.
4. Devote resources to human rights education, in order to supplement its enforcement activities to promote an environment free of discrimination. Whenever possible, the department will attempt to prevent discriminatory situations from arising by taking proactive measures.

The department is committed to the goal of promoting, creating and maintaining in Minnesota an environment free from discrimination. Through the cooperative and innovative efforts of its administration and dedicated staff, the department will ensure that state resources are effectively utilized in carrying out its mission and goals. In fulfilling its mission, the department strives to maintain the confidence of the public by conducting its activities in a fair and impartial manner

PROGRAM PLAN:

1. Cost Reduction:

1994-95 Biennial Budget

PROGRAM: Human Rights Enforcement
AGENCY: Human Rights, Department of
(Continuation)

- a. The department will attempt to manage its litigation budget in such a manner that spending will remain relatively constant. Because litigation is a crucial component in effectively enforcing Minnesota's anti-discrimination laws, a reduction would hamper the department's ultimate effectiveness. Even with expenditures held constant, the department has less resources available for the litigation it initiates. This is because of a legal right charging parties have to demand a hearing, at department expense, if their charge is not resolved 180 days after it is filed. As the department's caseload increases, the time it takes to investigate a case also increases resulting in more cases over 180 days old and, correspondingly, in more requests for hearings.
 - b. About 12% of the department's budget is used for operating expenses; i.e., office space, supplies, travel, etc. This part of the budget can be decreased, but only in a manner approximately proportional to reductions in the department personnel budget. Potential savings in this category are, therefore, relatively small.
 - c. The only viable means of alleviating the bulk of any shortfall is through salary reductions, by eliminating positions or holding them vacant. However necessary it may be, generating savings by reducing staff has a detrimental impact on the department's ability to provide services mandated by statute or public policy. In the first year, the department will generate the required savings by eliminating or holding vacant 5 or 6 enforcement or enforcement support positions and 1 or 2 administrative positions. In the second year, one or two additional positions in each category will be held vacant. Given enforcement officers constitute over half of the staff and given the staff reductions in other areas made during the current fiscal year, it is likely that at least one half of all positions held vacant will have to be enforcement officers.
2. Productivity Improvement:

The department has taken several steps to mitigate the problems caused by its diminishing resources through increased employee productivity and procedural efficiency. It has and will continue to adopt measures that will result in a more productive, efficient and effective operation. Through changes in organization, procedures, and technology, the department is committed to continue to increase the productivity of its employees. By forming task forces which tap the proven expertise of its managers, supervisors, and staff and through the judicious use of external experts, the department management set a goal of increasing individual productivity by a minimum of 5% per year over the level experienced in F.Y. 1992. For example:

- a. The department responds to over 400 individuals per week who contact the department for information or assistance. About 55% of these contacts are potential charges from persons believing that they may have been subjected to illegal discrimination. Potential charges are screened to promptly identify and dispose of complaints which are not in the jurisdiction of the department and to prioritize charges filed to concentrate limited public resources on

cases that warrant substantial inquiry. When appropriate, potential charging parties are referred to a local human rights commission, which attempts to resolve the dispute using the no-fault grievance process, or to a dispute resolution service where voluntary mediation is attempted prior to the filing of a formal charge.

During the last year, the department's Intake Unit more rigorously screened the allegations of potential charging parties to determine if the allegations were in fact jurisdictional. By obtaining more detailed information from potential charging parties, the department can make earlier decisions on complaints that would otherwise be dismissed after the investigation was begun. So, despite an increase in initial contacts, the intake screening efforts resulted in a significant decrease in charge filings. This allows the department to focus on its more substantive cases.

- b. All charges docketed by the department, other than those taken in by the Community Services Unit, are sent to a Case Investigation Unit. Each unit specializes in investigating one or more of the areas of discrimination prohibited by M.S. 363. Enforcement officers investigate charges of discrimination, and attempt to resolve charges through a variety of techniques including negotiation and conciliation. If probable cause is found to believe that illegal discrimination has occurred and attempts at conciliation fail, the commissioner may issue a complaint and begin litigation using legal services provided by the Attorney General's office.

Productivity of enforcement officers has been increased by increasing the involvement of the supervisory staff in the day-to-day management of investigations. The supervisor monitors all cases assigned to his/her unit to ensure that they progress appropriately through the investigative process.

Supervisors have been delegated the authority to sign off on most determinations and case closures. This has lowered the number of times a case is reviewed before a decision is finalized. This speeds the process by reducing repetitive steps but has not resulted in any decrease in the quality of case investigations. It frees management staff to concentrate on coordinating and improving the investigative process rather than the details of individual cases. It also allows the deputy commissioner to be more effective as an impartial arbitrator on internal appeals of department decisions.

The department has formed collaborative work groups of employees at all levels to identify productivity problems and issues. These groups will recommend methods by which processes can be streamlined and cases can be investigated and resolved more quickly.

Standards for dismissing frivolous or meritless cases have been improved. The department has also begun a pilot project to review cases for early dismissal potential. This project, conceived of and developed by department staff, will result in clear, standardized procedures for determining whether a case is leading to an eventual "No Probable Cause" determination or, otherwise, does not warrant use of department resources. The net effect will be more streamlined case processing methods that, again, allow the department to focus on the substantive cases it investigates.

Clear, measurable production standards are being established and implemented. This will result in better communication about performance expectations between enforcement officers and supervisors as well as greater accountability for both.

PROGRAM: Human Rights Enforcement
AGENCY: Human Rights, Department of
 (Continuation)

- c. The Community Services Unit spends half of its time in education and outreach and each investigative unit has education and outreach responsibilities for its specialty areas. Efforts are underway to coordinate these responsibilities more effectively with local human rights commissions, advocacy agencies and groups, and other information resources thereby increasing the amount and quality of information available to the public.
 - d. The department is working jointly with the Minnesota Department of Transportation to monitor construction contractors' compliance with their required affirmative action plans. This joint effort not only enables the department to meet its monitoring obligations, but also eliminates duplication of effort between two state agencies as well.
 - e. The department has begun several other projects that are designed to improve productivity and build employee morale. Positions descriptions, which were outdated, have been revised to reflect current work duties. Regular, internal training is available to staff. And the department's policies and procedures manuals are being updated.
 - f. One seemingly minor improvement, which has resulted in substantial benefits, was the provision of voice mail to enforcement and compliance staff. Since telephone usage is extremely high and is essential to the services the department provides, there were many problems encountered when a single receptionist had to answer too many telephones. Using voice mail has lessened public and employee frustration with the telephone system, provided the public with better access to staff and service by the department, and has improved employee morale. In addition, this change frees the receptionist to perform other duties, thus helping the department absorb the loss of another clerical position being held vacant for budgetary reasons.
 - g. A new provision, enacted last year, allows the department and the Attorney General to recover litigation costs when the state prevails in a hearing or trial. This should reduce the net cost of litigation to the state because some costs will be recovered.
3. Program Impact:

While all of these efforts directly impact the department's ability to fulfill its mission in the most effective and efficient manner, this plan will still cause significant problems during the next biennium. As described above, the department carries out two statutorily mandated activities: investigation of charges of illegal discrimination and the certification and monitoring of bidders for state contracts. In both these areas, the demand for services is anticipated to increase while the department's resources will decrease. The department will be unable to stay even with service demand. Even with planned efforts to increase individual productivity, significant decreases in total production are the more likely result.

- a. A continuing strain on department investigative resources is anticipated. Even conservative projections indicate the department's caseload will increase by about 10% per year through

F.Y. 1995. As positions are held vacant, there are fewer enforcement officers and support staff to process these cases. This has a number of severe consequences. Fewer charges can be investigated and resolved in a timely manner. The quality and comprehensiveness of the investigations suffer and the margin of error increases. And more cases are backlogged in the system or dismissed before they are fully resolved.

Realistically, there is a limit to how many investigations can be conducted in a comprehensive and conscientious manner by even the most productive investigator. Trying to push employees to produce past this level is counter productive because it decreases the morale of the department's skilled and committed staff and increases staff frustration and turnover. This is further complicated by the number of cases each investigator is expected to work on. Experience shows that once an investigator has more than 55-60 cases to investigate at one time, the amount accomplished on each case decreases, fewer cases can be aggressively investigated and resolved, and the quality of each investigation is diminished.

At a time when the department is experiencing an increase in charge filings, it will be reducing the staff needed to resolve these cases. This will compound anticipated problems managing the caseload. If the department must live with reduced resources over the next biennium, its caseload problems at the end of the biennium will be enormous. The total open caseload will increase by 60% between F.Y. 1992 and F.Y. 1995 from 1,676 to nearly 2,700, the caseload per investigator will be twice the optimal level of 60 cases, and the number of cases taking more than six months to investigate will almost double from 962 to 1,700.

While securing statewide compliance with the Human Rights Act is the public policy core of the department's mission, individual remedies are at the heart of human rights enforcement. Through voluntary settlements and through litigation, the department secures compliance with the law in specific cases and, often, monetary awards and damages for individuals whose rights have been violated. Many of these personal, positive outcomes for Minnesota residents will be lost if the department is unable to perform the investigations that drive them.

- b. In the contract compliance area, the department is able to review affirmative action plans submitted by contractors requesting certification or re-certification on a comprehensive and timely basis. Yet the department does not have the resources to increase essential monitoring efforts without decreasing its efforts in other areas, such as reviewing plans or providing technical assistance. All these are equally important facets of the contract compliance effort, but the monitoring has to be sacrificed. Creating delays in the certification process by taking resources away to increase monitoring would have a significant detrimental and costly impact on all purchasing and contracting done by state and local agencies. Although problems are less noticeable when monitoring is sacrificed, it is a costly bargain. Only with effective monitoring do we have any confidence that the results promised by bidders and contractors are even being attempted, much less being achieved.
- c. Through judicious management of the reduced litigation resources and innovative efforts to develop alternative legal research and litigation resources to augment those of the department and, in spite of the increasing number of "180 days hearings," the department has kept its litigation costs under control. This will continue to be possible only if the number of "180 day hearing" requests decrease rather than increase, if the number of cases the department will be attempting to litigate remains relatively constant, and if none of the

PROGRAM: Human Rights Enforcement
AGENCY: Human Rights, Department of
(Continuation)

cases involve extremely lengthy or complex litigation. If it becomes necessary to litigate another case on the scale of the one involving the Saint Paul Firefighters, the budget will be insufficient to meet departmental needs.

- d. While the department was established to ensure the Human Rights Act was enforced in the state and was not established to be a revenue generator for the state, a substantial amount of funding is deposited into the state General Fund as direct or indirect offsets of department costs.

The department has a contract with the U.S. Equal Employment Opportunity Commission (EEOC). As this is a cost reimbursement contract, the revenue is maximized only when production goals are fully met. This may not be possible at the staffing levels anticipated.

The Human Rights Act calls for civil penalties to be assessed against respondents found to have violated the law in administrative law or district court. The department and the Attorney General have worked to ensure that civil penalties are routinely assessed by the courts both in cases brought by the department or by a party in a private action, are not bargained away by parties without state approval in private actions, and are actually collected. These revenues will be substantially curtailed if the department is unable to complete the investigations that form the basis for these actions.

GOVERNOR'S RECOMMENDATION:

The Governor recommends restoring reductions proposed in the agency's plan. Also, the Governor recommends \$225,000 for the biennium which incorporates an initiative for data processing, and \$100,000 for the biennium for additional enforcement case loads. The proposed funding has been reduced due to revised salary planning estimates.

The Information Policy Office has reviewed and supports the data processing initiative consistent with any requirements identified in its analysis.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN RIGHTS, DPT OF
PROGRAM: HUMAN RIGHTS ENFORCEMENT

ACTIVITY RESOURCE ALLOCATION:				FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
INVESTIGATION/EDUC/OUTREACH	2,236	2,166	2,121	2,121	2,031	2,111	2,121	2,031	2,111
LITIGATION	135	133	140	140	140	140	140	140	140
CONTRACT COMPLIANCE	248	438	477	477	442	462	477	442	462
MANAGEMENT SERVICES & ADMIN	402	475	423	438	406	597	438	406	482
TOTAL EXPENDITURES BY ACTIVITY	3,021	3,212	3,161	3,176	3,019	3,310	3,176	3,019	3,195
GOV'S INITIATIVES:									
(A) RESTORE AGENCY REDUCTION						157			157
(A) SALARY PLANNING ESTIMATES						<86>			<86>
(B) COMPUTER SYSTEMS DEVELOPMENT PROJECT						170			55
(B) ENFORCEMENT CASELOAD						50			50
TOTAL GOV'S INITIATIVES						291			176
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,000	3,196	3,142	3,157	3,000	3,291	3,157	3,000	3,176
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	19	16	19	19	19	19	19	19	19
FEDERAL	2								
TOTAL FINANCING	3,021	3,212	3,161	3,176	3,019	3,310	3,176	3,019	3,195
POSITIONS BY FUND:									
GENERAL	68.0	70.5	70.5	70.5	70.5	70.5	70.5	70.5	70.5
FEDERAL	1.5								
TOTAL POSITIONS	69.5	70.5	70.5	70.5	70.5	70.5	70.5	70.5	70.5

1994-95 Biennial Budget

BUDGET ACTIVITY: Investigation, Education and Outreach
PROGRAM: Human Rights Enforcement
AGENCY: Human Rights, Department of

ACTIVITY DESCRIPTION:

The primary goal of the Minnesota Human Rights Act is to secure, for Minnesota residents, freedom from discrimination based on age, race, sex, and other protected characteristics. The Enforcement Division was established to meet that public policy goal by investigating and facilitating appropriate resolution of complaints of discrimination filed with the department and by promoting prevention of illegal discrimination through education and outreach.

BUDGET ISSUES:

The costs of this activity include personnel and related costs of 51.5 positions of which only 44.0 are currently funded. Of the funded positions, 36.0 are in the Enforcement Division. This includes 28.0 enforcement officers who directly investigate charges of discrimination and/or who provide intake, education and outreach services. Also funded by this activity are 8.0 pro-rated full time equivalent (FTE) positions from the Management Services Division, which provide direct support services.

It is anticipated that 8.0 or 9.0 positions, at least 4.0 of which may have to be enforcement officers, will have to be held vacant in F.Y. 1995 for the department to operate within the financial resources projected to be available. The projected caseload assumes a 10% per year increase in charges filed based on existing provisions of the Human Rights Act, with no additional coverages being enacted by the legislature.

STATISTICS

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Inquiries Handled					
Information Only	8,100	9,357	10,425	11,475	12,600
Potential Charges	<u>9,900</u>	<u>11,711</u>	<u>12,750</u>	<u>14,025</u>	<u>15,400</u>
Total	<u>18,000</u>	<u>21,068</u>	<u>23,150</u>	<u>25,465</u>	<u>28,000</u>
Charges Filed Alleging Violation of M.S. 363					
Department	1,915	1,428	1,570	1,730	1,905
Federal or Local Agencies	<u>457</u>	<u>474</u>	<u>500</u>	<u>525</u>	<u>550</u>
Total	<u>2,372</u>	<u>1,902</u>	<u>2,070</u>	<u>2,280</u>	<u>2,505</u>
Cases Closed (M.S. 363)					
Department	1,724	1,591	1,510	1,415	1,290
Federal or Local Agencies	<u>320</u>	<u>282</u>	<u>300</u>	<u>330</u>	<u>360</u>
Total	<u>2,042</u>	<u>1,873</u>	<u>1,810</u>	<u>1,745</u>	<u>1,650</u>
Caseload at End of Fiscal Year (M.S. 363)					
Department	1,833	1,670	1,730	2,045	2,660
Federal or Local Agencies	<u>775</u>	<u>942</u>	<u>1,140</u>	<u>1,335</u>	<u>1,525</u>
Total	<u>2,608</u>	<u>2,612</u>	<u>2,870</u>	<u>3,380</u>	<u>4,185</u>

F.Y. 1991 F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

Cases Open Over 6 Months
 Department 872 952 943 1,180 1,700

ACTIVITY COSTS: F.Y. 1991 F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

Cost Per Charge Investigated \$1,297 \$1,361 \$1,405 \$1,647 \$1,790

REVENUE:

This activity generates non-dedicated revenue. Funds received from the department's federal cost reimbursement contract with EEOC are treated as non-dedicated revenue and deposited directly to the General Fund.

Dollars in Thousands

F.Y. 1991 F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

Type of Revenue:
 Non-dedicated - General \$452 \$365 \$350 \$280 \$270

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN RIGHTS, DPT OF
PROGRAM: HUMAN RIGHTS ENFORCEMENT
ACTIVITY: INVESTIGATION/EDUC/OUTREACH

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,900	1,824	1,831	1,831	1,741	1,816	1,831	1,741	1,816
EXPENSES/CONTRACTUAL SRVCS	169	214	191	191	191	193	191	191	193
MISC OPERATING EXPENSES	94	92	89	89	89	91	89	89	91
SUPPLIES/MATERIALS/PARTS	3	28	10	10	10	11	10	10	11
CAPITAL EQUIPMENT	70	8							
SUBTOTAL STATE OPERATIONS	2,236	2,166	2,121	2,121	2,031	2,111	2,121	2,031	2,111
TOTAL EXPENDITURES	2,236	2,166	2,121	2,121	2,031	2,111	2,121	2,031	2,111
GOV'S INITIATIVES:									
(A) RESTORE AGENCY REDUCTION			GEN			90			90
(A) SALARY PLANNING ESTIMATES			GEN			<60>			<60>
(B) ENFORCEMENT CASELOAD			GEN			50			50
TOTAL GOV'S INITIATIVES						80			80
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,236	2,166	2,121	2,121	2,031	2,111	2,121	2,031	2,111
TOTAL FINANCING	2,236	2,166	2,121	2,121	2,031	2,111	2,121	2,031	2,111
POSITIONS BY FUND:									
GENERAL	53.0	51.5	51.5	51.5	51.5	51.5	51.5	51.5	51.5
TOTAL POSITIONS	53.0	51.5	51.5	51.5	51.5	51.5	51.5	51.5	51.5

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Human Rights, Department of
PROGRAM: Human Rights Enforcement
ACTIVITY: Investigation, Education and Outreach

ITEM TITLE: Additional Enforcement Caseload

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$50	\$50	\$50	\$50

Statutory Change? Yes _____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$50,000 be appropriated to the Department of Human Rights in each year of the next biennium for the costs associated with an additional enforcement caseload related to an anticipated extension of coverage, under the Minnesota Human Rights Act (M.S. 363), which would prohibit discrimination against Minnesota residents on the basis of sexual orientation.

The inclusion in the Human Rights Act, of additional or extended coverages, without corresponding funds, make comprehensive enforcement of the Act more difficult. This supplemental appropriation is necessary so the department and those it serves are, at a minimum, no worse off because a new category of discrimination is prohibited under the Human Rights Act.

PROGRAM OUTCOMES:

It is anticipated that 85 additional charges per year will be filed with the department alleging discrimination on the basis of sexual orientation. This equates to 1 additional caseload and will require an additional enforcement officer. This supplemental appropriation funds that caseload and will enable the department to resolve the additional charges without diminishing the services it already provides to those persons suffering the types of discrimination currently covered by the Act.

LONG-TERM IMPACT:

It is anticipated that the number of charges filed alleging discrimination under this provision will increase at approximately the same rate per year as the charges filed under the current provision of the Act, i.e., approximately 5% to 10% per year.

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1994-95 Biennial Budget

BUDGET ACTIVITY: Litigation
PROGRAM: Human Rights Enforcement
AGENCY: Human Rights, Department of

ACTIVITY DESCRIPTION:

The Minnesota Human Rights Act provides for litigation of discrimination complaints when the department has determined that there is probable cause to believe a violation of the Act has occurred and is unable to secure, through conciliation, voluntary compliance and settlement by the respondent. Litigation encompasses the legal and related services the department must purchase:

- a. to obtain representation from the Office of the Attorney General at public hearings held in response to the issuance of a complaint by the commissioner;
- b. to obtain legal representation at District, Appeals, or Supreme Court hearings when required to resolve a case;
- c. to obtain legal advice in order to carry out its statutory responsibilities and to insure that the state's interests are fully represented in all matters coming before the courts; and
- d. to pay the costs of contested case hearings conducted by the Office of Administrative Hearings.

BUDGET ISSUES:

This activity includes costs incurred for contested case hearings conducted by the Office of Administrative Hearings, including hourly billings for administrative law judges, fees for court reporters, transcripts of hearings, and expert witness analysis and testimony required to support the department position at the hearing.

Legal services are provided and funded by the Office of the Attorney General to prepare for and represent the department on behalf of charging parties at legal proceedings initiated by the department to enforce the Human Rights Act. The cost of other legal business conducted for the department is paid by the department.

Litigation costs are expected to increase because the department will be handling more cases. The department anticipates that it will be unable to shift funds from this budget to offset inflationary costs in other areas. If the number and expense of the cases litigated follows a normal pattern and there are no extra-ordinarily complex and expensive cases in the next two years, the department will need all the funds currently allocated.

The costs of "180 day" hearings, initiated by charging parties but conducted at department expense, will continue to drain resources from the cases the department needs to pursue to ensure that the Human Rights Act is enforced.

STATISTICS

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Cases Processed by the Office of the Attorney General	205	202	210	210	210
Hearings Conducted by the Office of Administrative Hearings					
Department Initiated	39	46	42	35	25
180 Day Hearings	5	23	28	35	45

ACTIVITY COSTS:

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Cost Per Hearing Conducted	\$3,068	\$1,928	\$2,000	\$2,000	\$2,000

REVENUE:

This activity generates non-dedicated revenue. Although not reflected in its budget, the department is instrumental in the collection of civil penalties and, in appropriate cases, attorney's fees from violators of the Act. These are deposited directly in the General Fund as non-dedicated revenues.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Type of Revenue:					
Non-dedicated - General	\$38	\$9	\$35	\$28	\$27

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN RIGHTS, DPT OF
PROGRAM: HUMAN RIGHTS ENFORCEMENT
ACTIVITY: LITIGATION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	128	123	140	140	140	140	140	140	140
MISC OPERATING EXPENSES	1	2							
SUPPLIES/MATERIALS/PARTS	6	5							
OTHER		3							
SUBTOTAL STATE OPERATIONS	135	133	140	140	140	140	140	140	140
TOTAL EXPENDITURES	135	133	140	140	140	140	140	140	140
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	135	133	140	140	140	140	140	140	140
TOTAL FINANCING	135	133	140	140	140	140	140	140	140
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Contract Compliance
PROGRAM: Human Rights Enforcement
AGENCY: Human Rights, Department of

ACTIVITY DESCRIPTION:

The contract compliance provisions of the Minnesota Human Rights Act encourage the creation of employment opportunities for minorities, women, and disabled persons by requiring that the state only do business with equal opportunity/affirmative action employers. Under rules adopted in June 1985, the Contract Compliance Unit of the Enforcement Division must review and approve the affirmative action plans of persons before they are certified to bid on state contracts or receive state funds.

The Contract Compliance Unit also monitors the implementation of approved affirmative action plans after certification and provides technical assistance to help persons prepare or revise affirmative action plans to meet certification requirements and to correct problem areas in employment policies and practices.

BUDGET ISSUES:

The Contract Compliance Unit, which is part of the Enforcement Division, has 9.0 positions: the unit supervisor, 4.0 enforcement officers and 4.0 paraprofessional unit aides. Also funded by this activity are 2.0 pro-rated FTE positions from the Management Services Division, which provide direct support services.

The department anticipates it will have to reduce the staffing in this activity by 1.0 or 2.0 positions. If it is necessary to reduce staffing by more than 1.0 positions, it is likely that at least 1.0 enforcement officer position will be held vacant.

The Contract Compliance Unit is currently staffed at a minimal level that allows it to provide only the most essential services. These are promptly reviewing the affirmative action plans of all who apply and issuing certificates of compliance to all who are found to have acceptable plans. Technical assistance and monitoring are done only in conjunction with these services, not, as would be more desirable, as essential services necessary to a comprehensive contract compliance program.

STATISTICS

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Technical Assistance Contacts					
Number Handled	5,356	11,500	12,000	12,000	12,000
Affirmative Action Plans					
Number Reviewed	1,600	2,500	2,500	2,500	2,500
Certificates of Compliance					
Number Issued	864	1,165	1,200	1,200	1,200
Certified Contractors					
At End of Fiscal Year	2,112	1,955	2,000	2,000	2,000
Non-construction Compliance Reports					
Number Received	4,224	3,910	4,000	4,000	4,000
Number Reviewed	2,000	2,000	2,000	2,000	2,000

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Construction Compliance Reports					
Number Received	600	600	600	600	600
Number Reviewed	0	0	600	600	600
On-site Reviews					
Number Needed	500	500	500	500	500
Number Conducted	8	15	30	30	30
Sanctions for Non-compliance					
Number Imposed	24	28	30	30	30
<u>ACTIVITY COSTS:</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Cost Per Certified Contractor	\$117	\$224	\$238	\$221	\$221

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN RIGHTS, DPT OF
PROGRAM: HUMAN RIGHTS ENFORCEMENT
ACTIVITY: CONTRACT COMPLIANCE

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	243	427	472	472	437	457	472	437	457
EXPENSES/CONTRACTUAL SRVCS	3	10	4	4	4	4	4	4	4
MISC OPERATING EXPENSES	2	1	1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	248	438	477	477	442	462	477	442	462
TOTAL EXPENDITURES	248	438	477	477	442	462	477	442	462
GOV'S INITIATIVES:									
			FUND						
(A) RESTORE AGENCY REDUCTION			GEN			35			35
(A) SALARY PLANNING ESTIMATES			GEN			<15>			<15>
TOTAL GOV'S INITIATIVES						20			20
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	246	438	477	477	442	462	477	442	462
STATUTORY APPROPRIATIONS:									
FEDERAL	2								
TOTAL FINANCING	248	438	477	477	442	462	477	442	462
POSITIONS BY FUND:									
GENERAL	7.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
FEDERAL	1.5	.0	.0	.0	.0	.0	.0	.0	.0
TOTAL POSITIONS	8.5	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Management and Administration
PROGRAM: Human Rights Enforcement
AGENCY: Human Rights, Department of

ACTIVITY DESCRIPTION:

The Management and Administration activity includes the Office of the Commissioner, the Office of the Deputy Commissioner and part of the Management Services Division.

The commissioner and deputy commissioner manage and direct the department pursuant to the requirements of M.S. Chapter 363; advise the governor and the legislature, develop human rights policies and programs, maintain contracts and cooperative agreements with federal agencies; and develop and maintain relationships with other state agencies, local agencies, and human rights organizations to effectuate fully the purposes of the Human Rights Act.

This activity also includes that portion of the Management Services Division which provides general administrative support services to the department, such as personnel, financial management, accounting, and management analysis.

BUDGET ISSUES:

The costs of this activity include the salaries and related costs of 8.0 positions of which only 7.0 are currently funded. These include 2.0 positions in the Office of the Commissioner and 2.5 FTE positions in the Office of the Deputy Commissioner. It also includes 2.5 FTE positions in the Management Services Division which is responsible for departmental administrative functions.

One position in this activity may have to be held vacant for the department to function at the anticipated funding level. Its duties and responsibilities will have to be absorbed by other staff who already have full-time responsibilities related to their own positions.

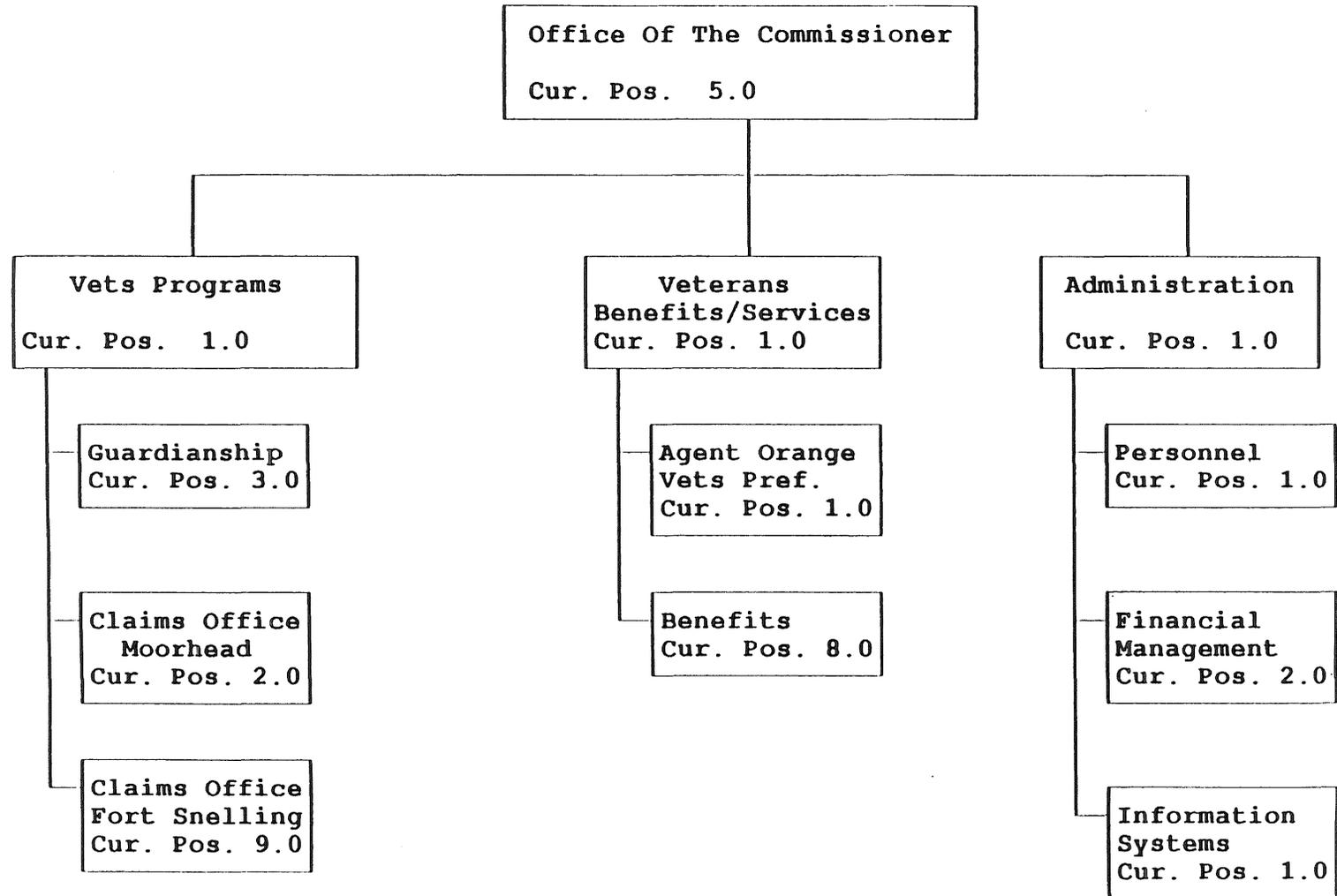
1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN RIGHTS, DPT OF
PROGRAM: HUMAN RIGHTS ENFORCEMENT
ACTIVITY: MANAGEMENT SERVICES & ADMIN

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	309	406	351	366	334	355	366	334	355
EXPENSES/CONTRACTUAL SRVCS	61	25	23	23	23	193	23	23	78
MISC OPERATING EXPENSES	6	17	23	23	23	23	23	23	23
SUPPLIES/MATERIALS/PARTS	26	27	26	26	26	26	26	26	26
SUBTOTAL STATE OPERATIONS	402	475	423	438	406	597	438	406	482
TOTAL EXPENDITURES	402	475	423	438	406	597	438	406	482
GOV'S INITIATIVES:									
			FUND						
(A) RESTORE AGENCY REDUCTION			GEN			32			32
(A) SALARY PLANNING ESTIMATES			GEN			<11>			<11>
(B) COMPUTER SYSTEMS DEVELOPMENT PROJECT			GEN			170			55
TOTAL GOV'S INITIATIVES						191			76
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	383	459	404	419	387	578	419	387	463
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	19	16	19	19	19	19	19	19	19
TOTAL FINANCING	402	475	423	438	406	597	438	406	482
POSITIONS BY FUND:									
GENERAL	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
TOTAL POSITIONS	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0

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Minnesota Department of Veterans Affairs Organization Chart 7/1/92



Department of Veterans Affairs
Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current</u> <u>F.Y.1993</u>	<u>Requested</u> <u>6/30/95</u>
Legislative Complement:		
General Fund	35	35
Budgetary Authorized:		
General Fund	35	35
Total Permanent Positions	<u>35</u>	<u>35</u>
Other Complement (FTE)	0	0
TOTAL Positions	<u>35</u>	<u>35</u>
Employees on 6/30/92	35	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	35
TOTAL	<u>35</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Veterans Affairs

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$2,913	\$2,915	\$5,828
Forecast Adjustments	<u>(19)</u>	<u>(19)</u>	<u>(38)</u>
AGENCY BASE	\$2,894	\$2,895	\$5,790
Inflation Increases	55	112	167
Agency Management Decision			
Grants:			
GRANT A - VINLAND	<u>\$(207)</u>	<u>\$(250)</u>	<u>\$(457)</u>
TOTAL AGENCY PLAN	\$2,742	\$2,758	\$5,500
Governor's Initiatives			
Salary Planning Estimates	<u>(44)</u>	<u>(44)</u>	<u>(88)</u>
GOVERNOR'S RECOMMENDATION	<u>\$2,698</u>	<u>\$2,714</u>	<u>\$5,412</u>

Brief Explanation of Agency's Overall Actions:

The agency restructured its organization to more clearly delineate program responsibility and to make the organization more responsive and accountable to its clients. This new agency structure is reflected in the organizational chart provided.

The agency proposes to reduce funding in the Veterans Rehabilitation management activity by \$207,000 the first year and by \$250,000 the second year of the biennium. Services in this activity at proposed funding levels would be reduced the first year and eliminated the second year of the biennium. Those veterans who would have potential eligibility for these grants will be reviewed for education, training and rehabilitation programs available from the United States Department of Veterans Affairs and other federally funded programs. The review will be done by County Veterans Service Officers, Minnesota Department of Veterans Affairs staff, and staff of the United States Department of Veterans Affairs.

2. Impact on Staffing:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Positions left Vacant or Eliminated	-0-	-0-

3. Impact on Revenue Generation:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-
<u>Governor's Initiatives</u>	\$-0-	\$-0-	\$-0-

4. Affected Statutes:

None.

5. Governor's Recommendation:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

AGENCY: Veterans Affairs, Department of

MISSION STATEMENT:

The mission of the Minnesota Department of Veterans Affairs (MDVA) is to serve Minnesota's veterans and their dependents in securing those benefits provided by federal and state laws, and to provide advocacy services to veterans to ensure their quality of life.

To meet its mission as the lead agency on veterans issues in Minnesota, the MDVA coordinates the delivery of state and federal benefits to the 500,000 veterans in Minnesota and their more than 700,000 family members, in cooperation with federal, state and county units of government. Last fiscal year the total dollar amount of federal veterans benefits received by Minnesota veterans was in excess of \$640 million dollars.

The MDVA coordinates activities between the commanders of the congressionally chartered veterans organizations, the County Veterans Service Officers (CVSOs), the governor's office, the legislature and those state and federal agencies which serve veterans and their dependents.

The department is organized into three service delivery areas: Administrative Services, Veterans Benefits and Services, and Claims Offices. These three areas allow the department to meet its mission statement by meeting the following objectives:

- to coordinate the delivery of state and federal veterans benefits to veterans and their dependents;
- to ensure that Minnesota's veterans and their dependents receive the maximum amount of federal veterans benefits;
- to coordinate planning for the future needs of Minnesota's veterans and their dependents, especially in the areas of income maximization and health care service delivery;
- to foster and maintain cooperative working relationships between state, county and federal agencies which provide veterans benefits and services;
- to cooperate with other state and federal agencies in the referral of clients between agencies, to ensure that clients receive all benefits, services and rights to which they are entitled;
- to enforce state veterans preference statutes, which are designed to protect veterans employment rights, as well as the rights of the veterans employer;
- to cooperate with the congressionally chartered veterans organizations on legislative issues, both state and federal, which are important to the veteran community; and
- to provide educational assistance opportunities to war orphans and certain veterans who have exhausted their federal educational benefits.

MINNESOTA MILESTONES:

The mission of the MDVA directly supports the objectives of 4 of the major Milestones themes of: "A Caring and Secure Community", "A Prosperous People", "Learning", and "We the People." The MDVA contributes to these themes by:

- providing assistance with claims for veterans benefits and services from the United States Department of Veterans Affairs (USDVA);
- providing a safety net of emergency, subsistence level financial assistance to temporarily disabled veterans and their dependents;
- providing assistance to veterans seeking access to the USDVA health care system;
- providing educational assistance to eligible veterans and war orphans;
- by involving the Minnesota County Veterans Service Officers (CVSOs) in the rules making process; these rules govern the operation of the department.

The following section details those Milestones to which the MDVA is a lead contributor, as well as those to which it supports the lead role of other state agencies.

Leading role among state agencies. MDVA takes primary responsibility among state agencies for the state's ability to achieve the Milestones themes of "A Caring and Secure Community" and "A Prosperous People". Specific Milestone target objectives within these themes are directed at children not living in poverty, people who need help providing for themselves will receive the help they need, and Minnesotans will healthy.

There are influences and factors beyond the control of the department which directly impact the department's ability to achieve these goals. Downsizing of the armed forces, changes in eligibility for federal veterans benefits, particularly health care and income maintenance programs. Further, the increasing and often conflicting job duties faced by many County Veterans Service Officers directly impact the ability of the department to meet these Milestones objectives.

Supporting role among state agencies. The department supports other state agencies in their efforts to attain the following Milestones themes: "Learning" and "We the People". The department assists other state agencies in meeting the target objectives of: all Minnesotans will have the economic means to maintain a reasonable standard of living. Minnesotans having the advanced education and training to make the state a leader in the global economy, government in Minnesota will be cost-efficient and services will be designed to meet the needs of the people who use them.

CLIMATE:

The following factors shape and influence the development of specific programs and policies within the Department of Veterans Affairs:

- **Aging Population.** The number of aging veterans, particularly World War II veterans, directly impacts the programs of the MDVA. These veterans present increasing demands for health care services and claims for federal veterans benefits, which is reflected in the growing caseload in the Claims and Branch Office Division and Guardianship Division.

AGENCY: Veterans Affairs, Department of
(Continuation)

- **Federal Action: Legislation, Funding and New Requirements.** Actions by the federal government that affect the ability of the department to meet Milestones targets include: Reduction in Force (RIF); the downsizing of the active duty military, a product of the "peace dividend", restriction of eligibility for federal veterans benefits, to include health care and unemployment compensation. This results in the paradox of an increasing number of veterans demanding benefits and services, at a time when fewer are eligible due to eligibility restrictions.

The United States Department of Veterans Affairs (USDVA) is the primary agency responsible for the delivery of health care benefits and services to veterans. Veterans continue to be denied access to health care benefits and services which they need, due to increasingly stringent eligibility requirements. The USDVA is facing budgetary restrictions which require that veterans be discharged "quicker and sicker" than they had in the past. These factors contribute to demands upon the department's temporary financial assistance program, as these veterans are unable to return to employment due to their continued need for medical care.

- **Dependent persons.** A number of clients of the department are dependent upon various government programs at the federal, state, and county levels and most likely always will be. This dependency is due to a number of factors which include: limited educational and vocational ability, subsistence level income which continues to qualify these individuals for various income assistance programs and developmental deficiencies which preclude more active employment and vocational possibilities.

Clients of the Guardianship Division tend to be especially dependent due to physical and mental deficiencies, substance abuse, limited educational and vocational prospects and low income. In all likelihood, these individuals will never be fully functioning, independent members of society and will continue to rely on government to meet their basic needs.

AGENCY BUDGET PLAN:

PROGRAM PURPOSE:

The Veterans Benefits and Services Program encompasses three activity areas of the department. These activity areas are: Veterans Benefits, Veterans Services and Dedicated Accounts. These activities serve Minnesota Veterans and their dependents by providing grants and aid, veterans rehabilitation services, veterans guardianship services, and veterans preference enforcement.

In addition, the department also provides technical assistance in securing benefits, as provided by federal and state laws, technical training to County Veterans Service Officers and advocacy services to veterans to ensure their quality of life. The department is the custodian of veterans bonus records and also provides Agent Orange Information and Referral services to veterans and their dependents.

The Veterans Benefits and Services activities assist Minnesota's veterans and their dependents in attaining the Milestones themes of: "A Caring and Secure Community", "A Prosperous People",

"Learning" and "We the People".

PROSPECTS:

1. Federal Action

- Continued downsizing of the active duty military will result in increased numbers of new veterans who will present demands for benefits and services from the department, particularly in the areas of Claims and Branch Office, the State Soldiers Assistance Program, Information and Referral, Education, Discharge Locator and Veterans Preference enforcement.
- The federal government has, in past practice, chosen to confer veterans' status upon certain classes or groups of individuals who, prior to this designation, were not veterans. Several years ago former members of the Merchant Marine who served during World War II were the latest group to attain veterans status. These individuals have requested assistance in filing claims for medical, pension, and compensation benefits from the United States Department of Veterans Affairs (USDVA), applications for a state bonus, and assistance under the State Soldiers Assistance Program.
- New conflicts. As was demonstrated during Operations Desert Shield and Desert Storm, involvement of the United States Armed Forces in a conflagration can come about quickly. The United States Department of Defense reported that 5,000,000 American military personnel were involved in these operations in the Persian Gulf. Many of these individuals were members of National Guard and Reserve forces who were ordered to active duty during the operation.

Those members of National Guard and Reserve units who actually served in the Gulf area are now veterans; prior to their service in that conflict, they did not meet the federal definition of a veteran. This has resulted in a new group of veterans who, along with their dependents, are presenting claims for benefits and services.

2. A Dependent Population

- A significant number of the clients of the various department programs are now, and will continue to be, dependent on all levels of government for support and assistance. Generally, this population lacks the educational and vocational skills to earn more than a subsistence level wage; many labor at less than the federal poverty level. As a result, they will continue to meet the low income requirements of many state and federal programs.
- Some individuals of this dependent population are effectively disabled and as such will be dependent upon services provided by governmental agencies for their lifetimes.

1994-95 Biennial Budget

AGENCY: Veterans Affairs, Department of
(Continuation)

OUTCOMES:

1. Claims Offices

In F.Y. *1990, a total of \$640 million dollars in federal veterans benefits were received by Minnesota veterans and their dependents.

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>
USDVA Cash Payments	\$251	\$253

* (Based on federal F.Y.; October 1 - September 30)

2. Guardianship

The number of individuals served by the guardianship division has remained constant. It is estimated that the demand for guardianship services will increase as the number of World War II veterans increases.

3. Veterans Benefits

The State Soldier's Assistance Program provides temporary, subsistence level financial assistance, in emergency situations, to disabled veterans and their dependents.

	<u>F.Y. 1992</u>
1. Number of households* assisted	3,481
2. Average amount of assistance/household	\$301

*. Average household consists of 1.7 individuals

OBJECTIVES:

1. Claims Offices

The Claims Office proposes to increase its total dollar value of federal veterans benefits received by Minnesota veterans and their dependents.

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
USDVA Cash Payments	\$255	\$259	\$263	\$267

2. Guardianship

The department will continue to provide those services which protect Minnesota's dependent citizens from falling below established poverty levels and recognized standards of living. And whenever possible, assist in obtaining the highest quality of life for each individual client.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Caseload	115	130	140	150

3. Veterans Benefits

The State Soldier's Assistance Program anticipates a static budget; the number of households assisted will be reduced by inflation.

	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
1. Number of households assisted	3,359	3,237	3,115

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS,DPT OF
PROGRAM: BENEFITS & SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
VETERANS BENEFITS	1,058	1,317	1,317	1,317	1,146	1,146	1,317	1,160	1,160
VETERANS SERVICES	1,594	1,574	1,585	1,596	1,596	1,552	1,598	1,598	1,554
DEDICATED ACCOUNTS	2,149	2,631	1,622	1,622	1,622	1,622	1,622	1,622	1,622
TOTAL EXPENDITURES BY ACTIVITY	4,801	5,522	4,524	4,535	4,364	4,320	4,537	4,380	4,336
GOV'S INITIATIVES:			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<44>			<44>
TOTAL GOV'S INITIATIVES						<44>			<44>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,652	2,904	2,902	2,913	2,742	2,698	2,915	2,758	2,714
STATUTORY APPROPRIATIONS:									
AGENCY	2,149	2,188	1,575	1,575	1,575	1,575	1,575	1,575	1,575
GIFTS AND DEPOSITS		430	47	47	47	47	47	47	47
TOTAL FINANCING	4,801	5,522	4,524	4,535	4,364	4,320	4,537	4,380	4,336
POSITIONS BY FUND:									
GENERAL	38.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
TOTAL POSITIONS	38.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: VETERANS AFFAIRS,DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	4,524	4,524	2,902	2,902	1,622	1,622		
TECHNICAL ADJUSTMENTS								
DOCUMENTED RENT/LEASE INC/DEC	<1>	1	<1>	1				
INSURANCE PREMIUM HOLIDAY	7	7	7	7				
PLANT MANAGEMENT REBATES	5	5	5	5				
SUBTOTAL TECH. ADJ.	11	13	11	13				
CURRENT SPENDING	4,535	4,537	2,913	2,915	1,622	1,622		
FORECAST ADJUSTMENTS								
ACF ENROLLMENT ADJUSTMENTS	<19>	<19>	<19>	<19>				
SUBTOTAL FORECAST ADJ.	<19>	<19>	<19>	<19>				
AGENCY BASE	4,516	4,518	2,894	2,896	1,622	1,622		

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1994-95 Biennial Budget

BUDGET ACTIVITY: Veterans Benefits
PROGRAM: Benefits and Services
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This activity is comprised of 2 management activities: Veterans Benefits Payments and Veterans Rehabilitation.

The Veterans Benefits Payments management activity provides short-term, subsistence level emergency financial assistance to disabled veterans and their dependents who meet strict financial resource limitations. Limited in most cases to 6 months, this program assists disabled veterans until they can either return to employment or obtain long term financial assistance, such as Social Security or United States Department of Veterans Affairs benefits.

The Veterans Benefits Payments management activity also provides limited financial assistance to veterans and their dependents to obtain dental and optical treatment and emergency medical treatment, in accordance with Department of Human Services fee schedules.

The Veterans Rehabilitation management activity provides in-house treatment program of up to 3 weeks duration, at a cost of \$5,000 per veteran for a 3 week program. In addition, a portion of this grant is used to pay salaries and fringe benefits to the Vinland National Center, the agency which operates the Veterans Rehabilitation activity under contract.

BUDGET ISSUES:

The department proposes to reduce funding in the Veterans Rehabilitation management activity by 207.0 the first year and by 250.0 the second year of the biennium. Services in this activity at proposed funding levels would be reduced the first year and eliminated the second year of the biennium. Those veterans who would have potential eligibility for these grants will be reviewed for education, training and rehabilitation programs available from the United States Department of Veterans Affairs and other federally funded programs. This review will be done by County Veterans Service Officers, Minnesota Department of Veterans Affairs staff and staff of the United States Department of Veterans Affairs.

EFFICIENCY MEASURES:

Processing time for claims:

	<u>F.Y. 1990</u>	<u>F.Y. 1992</u>	<u>F.Y. 1995</u>
Number of days to process claims	4 days	2 days	2 days

County utilization of State Soldiers Assistance Fund

	<u>F.Y. 1990</u>	<u>F.Y. 1992</u>	<u>F.Y. 1995</u>
County utilization of assistance fund	88 %	91 %	100 %

GRANTS:

This budget activity consists of Aid to Individuals and the Vinland Rehabilitation Grant Program.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS,DPT OF
PROGRAM: BENEFITS & SERVICES
ACTIVITY: VETERANS BENEFITS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
MISC OPERATING EXPENSES	10	19	19	19			19		
SUBTOTAL STATE OPERATIONS	10	19	19	19			19		
AIDS TO INDIVIDUALS	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048
LOCAL ASSISTANCE		250	250	250	98	98	250	112	112
TOTAL EXPENDITURES	1,058	1,317	1,317	1,317	1,146	1,146	1,317	1,160	1,160
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,058	1,317	1,317	1,317	1,146	1,146	1,317	1,160	1,160
TOTAL FINANCING	1,058	1,317	1,317	1,317	1,146	1,146	1,317	1,160	1,160
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Veterans Services
PROGRAM: Benefits and Services
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The department's claims office provides advocacy services to Minnesota's veterans and their dependents, assisting and directing efforts to obtain the maximum amount of federal veterans benefits and services available. The total dollar amount of federal veterans benefits received by Minnesota veterans and their dependents in federal F.Y. 1990 was \$640 million.

The department Branch Office, located in Moorhead, provides claims office advocacy services to those Minnesota veterans and their dependents whose claims for federal veterans benefits and service are adjudicated by the Fargo, North Dakota United States Department of Veterans Affairs Regional Office.

The Fiscal Guardianship activity provides financial management services to veterans who have been determined to be unable to control their own finances. Veterans receiving services from the fiscal guardianship program have been determined to be incompetent to handle their own financial affairs by such agencies as the United States Department of Veterans Affairs and the Social Security Administration.

The Benefits Administration activity provides direct support to the following department functions: the State Soldier's Assistance Fund, which provides emergency financial assistance to veterans and their dependents; the veterans bonus payment program, the bonus records program, the veterans and war orphans educational programs and the veterans rehabilitation program.

The Administration Services function is composed of the commissioner's office, including the deputy commissioner and support staff and the Financial Management Division. The Administration Services functions support all other department functions.

EFFICIENCY MEASURES:

<u>Constituent mail/requests</u>	<u>F.Y. 1990</u>	<u>F.Y. 1992</u>	<u>F.Y. 1995</u>
Response to constituent requests	7 days	7 days	5 days
 <u>Governor's prompt payment requirement</u>			
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Governor's prompt payment of agency bills	98 percent	98 percent	100 percent

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS,DPT OF
PROGRAM: BENEFITS & SERVICES
ACTIVITY: VETERANS SERVICES

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,318	1,287	1,340	1,347	1,347	1,303	1,347	1,347	1,303
EXPENSES/CONTRACTUAL SRVCS	117	119	93	97	97	97	99	99	99
MISC OPERATING EXPENSES	50	51	56	56	56	56	56	56	56
SUPPLIES/MATERIALS/PARTS	62	66	62	62	62	62	62	62	62
CAPITAL EQUIPMENT	28	28	9	9	9	9	9	9	9
SUBTOTAL STATE OPERATIONS	1,575	1,551	1,560	1,571	1,571	1,527	1,573	1,573	1,529
AIDS TO INDIVIDUALS	19	23	25	25	25	25	25	25	25
TOTAL EXPENDITURES	1,594	1,574	1,585	1,596	1,596	1,552	1,598	1,598	1,554
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES						<44>			<44>
TOTAL GOV'S INITIATIVES						<44>			<44>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,594	1,574	1,585	1,596	1,596	1,552	1,598	1,598	1,554
TOTAL FINANCING	1,594	1,574	1,585	1,596	1,596	1,552	1,598	1,598	1,554
POSITIONS BY FUND:									
GENERAL	38.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
TOTAL POSITIONS	38.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Dedicated Accounts
PROGRAM: Benefits and Services
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The Guardianship Accounts and Gifts and Donations management activities receive, deposit and invest monies and funds on behalf of individuals who receive guardianship services from the department. Interest earnings are posted to the individual guardians accounts monthly; fees of 5% of the monthly account balance, are collected monthly and posted to the general fund.

Funds donated for specific purposes by individuals and organizations are accepted, deposited and expended within all applicable regulations and guidelines and the intent of the donor.

EFFICIENCY MEASURES:

Payment of guardianship clients obligations:

	<u>F.Y. 1990</u>	<u>F.Y. 1992</u>	<u>F.Y. 1995</u>
Number of days after receipt	4 days	3 days	2 days

Submission to probate Court

	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Annual accounts submitted error free	30 days	30 days	25 days

REVENUE:

This activity generates non-dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

Type of Revenue:

Non-dedicated - Gen'l	\$60	\$48	\$48	\$48	\$48
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A 5% fee is taken from client accounts and deposited to the general fund. The amount of fees that may be taken are directly monitored by the probate court in each individual clients county of residence.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS,DPT OF
PROGRAM: BENEFITS & SERVICES
ACTIVITY: DEDICATED ACCOUNTS

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS		55	12	12	12	12	12	12	12
MISC OPERATING EXPENSES	2,149	2,189	1,575	1,575	1,575	1,575	1,575	1,575	1,575
SUPPLIES/MATERIALS/PARTS		1							
OTHER		386	35	35	35	35	35	35	35
SUBTOTAL STATE OPERATIONS	2,149	2,631	1,622	1,622	1,622	1,622	1,622	1,622	1,622
TOTAL EXPENDITURES	2,149	2,631	1,622	1,622	1,622	1,622	1,622	1,622	1,622
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		13							
STATUTORY APPROPRIATIONS:									
AGENCY	2,149	2,188	1,575	1,575	1,575	1,575	1,575	1,575	1,575
GIFTS AND DEPOSITS		430	47	47	47	47	47	47	47
TOTAL FINANCING	2,149	2,631	1,622	1,622	1,622	1,622	1,622	1,622	1,622
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

AGENCY: Gaming, Department of

AGENCY STATUS:

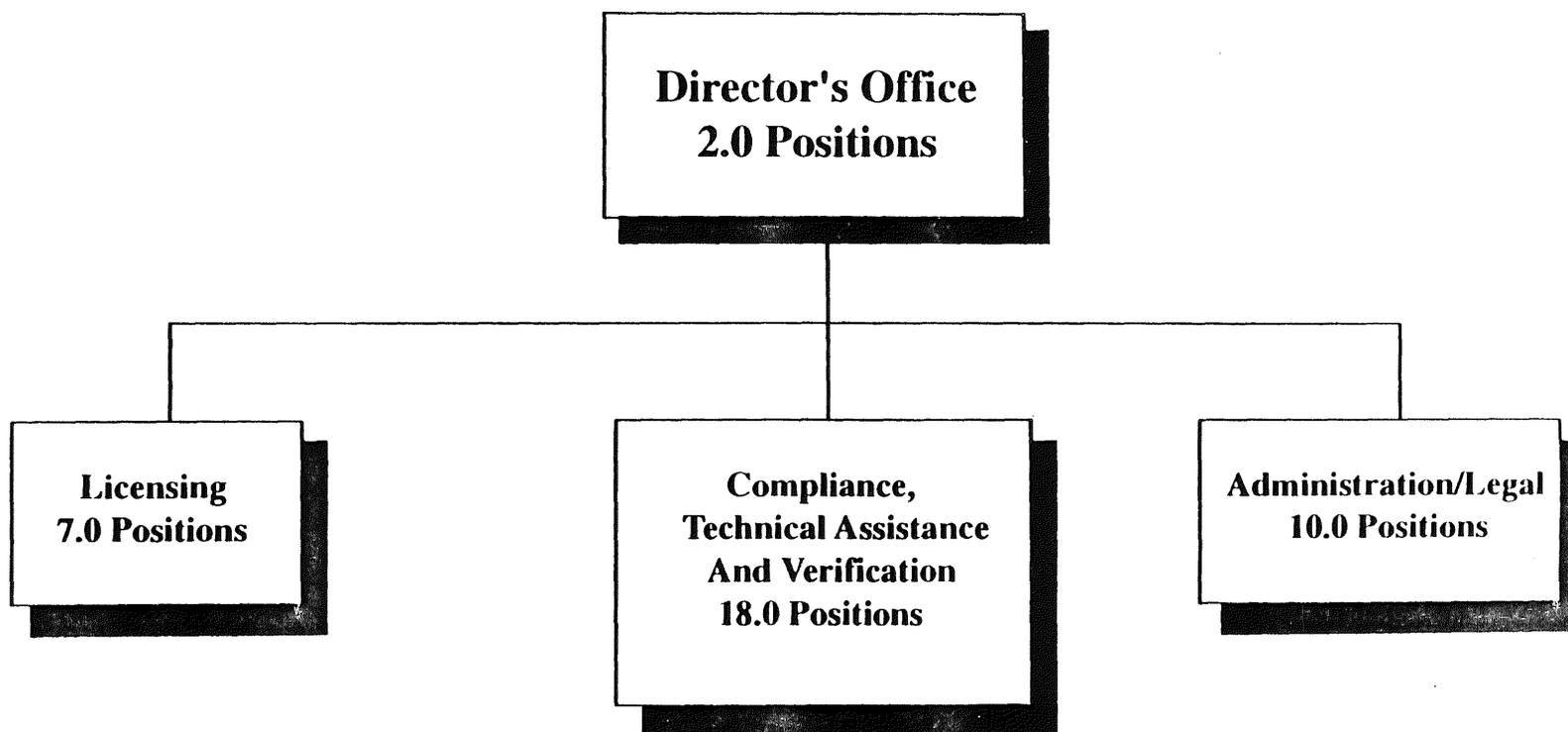
The Department of Gaming was created in 1989 to analyze, monitor, evaluate, and make recommendations relating to all forms of gambling in the state. Funding and complement was provided for a commissioner and two staff. Although the lottery board, gambling control board, and racing commission were designated as divisions of the department, the commissioner did not have any direct authority over them other than through sitting as a voting member on each of the boards. Legislation enacted during the 1991 session abolished the department, but retained the 3 separate entities. A small amount of expenditures were incurred in F.Y. 1992 for unemployment compensation. No further action is required.

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: GAMING
PROGRAM: GAMING ADMINISTRATION
ACTIVITY: GAMING ADMINISTRATION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomn.	Current Spending	Agency Plan	Governor Recomn.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	125	5							
EXPENSES/CONTRACTUAL SRVCS	24								
MISC OPERATING EXPENSES	4								
SUPPLIES/MATERIALS/PARTS	11								
SUBTOTAL STATE OPERATIONS	164	5							
TOTAL EXPENDITURES	164	5							
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	164	5							
TOTAL FINANCING	164	5							
POSITIONS BY FUND:									
GENERAL	3.0	.0	.0	.0	.0	.0	.0	.0	.0
TOTAL POSITIONS	3.0	.0	.0	.0	.0	.0	.0	.0	.0

Lawful Gambling Control Board Organization Chart 6/30/92



Total Complement 37.0

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Lawful Gambling Control Board

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$1,926	\$1,927	\$3,853
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$1,926	\$1,927	\$3,853
Inflation Cost Increases	68	136	204
Agency Management Decisions			
Agency Operations:			
Positions Left Vacant or Eliminated	\$(69)	\$(105)	\$(174)
Restructuring			
Streamline compliance review process	(55)	(55)	(110)
Streamline licensing procedures	(5)	(5)	(10)
Eliminate registration stamps	-0-	(21)	(21)
now required on gambling equipment			
Eliminate the need for extensive	(35)	(46)	(81)
agency rules and interpretation			
of statute by ensuring lawful			
gambling law is clear and concise.			
Subtotal	<u>\$(164)</u>	<u>\$(232)</u>	<u>\$(396)</u>
TOTAL AGENCY PLAN	\$1,830	\$1,831	\$3,661
Governor's Initiatives			
Study Effects of Gambling in Minnesota	\$400	\$-0-	\$400
Salary Planning Estimates	<u>(46)</u>	<u>(47)</u>	<u>(93)</u>
Subtotal	<u>\$ 354</u>	<u>\$ (47)</u>	<u>\$ 307</u>
GOVERNOR'S RECOMMENDATION	<u>\$2,184</u>	<u>\$1,784</u>	<u>\$3,968</u>

Brief Explanation of Agency's Overall Actions:

Effective management of limited resources is a top priority as we strive to meet agency goals. Total quality management principles will be applied to all agency functions to further streamline and increase our efficiency. Compliance reviews will be standardized. Improved scheduling of

compliance work will increase productivity and decrease travel expenses. Organizations will be asked to bring their records to our offices for the compliance review. Licensing procedures will be streamlined, saving printing and mailing costs. Statutes on lawful gambling will be clarified during the next 18 months. Any proposed legislation affecting lawful gambling will be closely examined upon introduction. This will eliminate the need for extensive agency rules that are now required to interpret law, reducing reliance on the Attorney General's Office. Using registration stamps to track gambling equipment is ineffective and obsolete. A bar coding system being developed by the Minnesota Department of Revenue will track equipment much more efficiently.

2. Impact on Staffing:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Positions left Vacant or Eliminated	2.0	3.0

3. Impact on Revenue Generation:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
<u>Agency Plan</u>	\$-0-	\$(36)	\$(36)

4. Affected Statutes:

M.S.349.162, Subd. 1

5. Governor's Recommendation:

The Governor recommends funding levels as requested in the agency's plan, except for the following adjustments:

1. The Governor recommends \$400,000 for an exhaustive study on the effects of gambling in Minnesota and on its citizens and that it be conducted under the management and supervision of the Governor's Advisory Committee on Gambling; and
2. The proposed funding has been reduced due to revised salary planning estimates.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: LAWFUL GAMBLING CONTROL

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) SALARY PLANNING ESTIMATES	GEN	<46>	<47>	<93>			
(A) STUDY EFFECTS OF GAMBLING	GEN	400		400			
TOTAL BY FUND	GEN	354	<47>	307			
TOTAL INVESTMENT INITIATIVES		354	<47>	307			

1994-95 Biennial Budget

AGENCY: Lawful Gambling Control, Board of

MISSION:

The mission of the Lawful Gambling Control Board is to regulate lawful gambling ensuring integrity of operations, and to provide for the use of net profits only for lawful purposes as defined by statute.

Our mission includes working in partnership with the lawful gambling industry to ensure compliance with statutory and rule requirements. This will maintain the integrity of the industry and its future. Every citizen of Minnesota benefits from community programs funded by organizations conducting lawful gambling.

MINNESOTA MILESTONES:

The Lawful Gambling Control Board contributes to the Milestone themes: "Community" and "A Prosperous People" by:

- Maintaining integrity in the conduct of gambling through effective regulation; and
- Ensuring net profits are spent on lawful purpose.

Lawful gambling has a positive impact in every Minnesota community. This can be measured by the many worthy contributions lawful gambling organizations make to activities for youth, disabled persons and for educational programs. Contributions made to individuals or families relieve the effect of poverty, homelessness, or physical or mental disabilities. Contributions to or expenditures by 501(c)(3) organizations help augment programs that are receiving less government funding and declining contributions from the general public.

The state's lawful gambling industry provides employment throughout Minnesota for approximately 14,000 people.

CLIMATE:

The 1984 legislature enacted a major change in the regulation of charitable gambling by transferring regulation from local governments to the newly created state Charitable Gambling Control Board. The board was given the authority to issue licenses for organizations to conduct lawful gambling, license distributors of gambling equipment, and develop rules governing the operation of charitable gambling. In August, 1988 the board was transferred to the Department of Revenue as the Gaming Division. During this time, the gross charitable gambling handle had increased over 1,000% - from \$111,389,000 in F.Y. 1985 to over \$1.2 billion in F.Y. 1989.

In response to concerns about the growth of gambling and its regulation, the 1989 legislature created the Department of Gaming. Gaming included the Minnesota State Lottery, the Racing Commission, and the Gambling Control Division. After a series of reports and allegations of abuses and ineffective controls in lawful gambling, the 1990 legislature appropriated an additional \$1.3 million to the Gambling Control Division for regulation. A 1991 law abolished the Department of Gaming and reestablished the Gambling Control Division as an independent agency known as the Lawful Gambling Control Board.

Currently, the board licenses 1,700 non-profit organizations conducting lawful gambling in Minnesota. These organizations provide a major source of funding for community programs throughout the state. Total amounts wagered have leveled off at approximately \$1.2 billion per year. The amount available for lawful purpose (contributions, including gambling related taxes) is \$134 million. In these times of economic need, more of Minnesota's citizens are turning to charitable programs for food, shelter and other basic necessities.

Effective regulation and education of licensed non-profit organizations are the key to ensuring the needs of Minnesota's citizens are met.

AGENCY BUDGET PLAN:

The board's primary goal is to ensure that only organizations meeting established criteria are authorized to conduct lawful gambling, that these organizations are regulated to ensure compliance with statutes and rules, and finally, that the net profits are expended for lawful purpose as defined in statute. The most effective way to accomplish this is for staff to work as a team, regulating and educating the lawful gambling industry in partnership.

Two agency positions are currently vacant and will not be filled. In F.Y. 1993, the salary savings will be used to fund a major workers' compensation claim. The 2 positions will be eliminated in F.Y. 1994 to meet targeted funding levels. The impact of losing the positions should be minimized by applying total quality management principles to all agency functions. Compliance reviews will be standardized using a computer program. More emphasis will be on pre-compliance work. Organizations will be asked to meet in our offices, eliminating the need for extensive travel by agency staff. Licensing procedures will be streamlined. Statutes on lawful gambling will be clarified during the next 18 months, eliminating the expense of extensive agency rules that are now required to interpret the law.

REVENUE:

This activity generates non-dedicated revenue collected for license fees, registration stamps, and fines.

Type of Revenue	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Non-dedicated - General	\$919	\$1,484	\$630	\$1,233	\$630
Total	\$919	\$1,484	\$630	\$1,233	\$630

OUTCOMES:

- The Compliance Section will develop a standard format for compliance reviews. The Licensing Section will continue to issue licenses only to organizations meeting established criteria.
- Net profit expenditures of lawful gambling organizations will continue to be verified.
- Technical assistance will continue to be provided through Gambling Manager's seminars, continuing education seminars, speeches, and direct contact with clientele. Industry is encouraged to actively participate in board meetings, and the legislative and rules process, resulting in a partnership with industry and an ownership in their regulation.
- Consistent regulation will be provided, without duplicating efforts between agencies.

AGENCY: Lawful Gambling Control, Board of
(Continuation)

EFFECTIVENESS MEASURES:

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Number of Compliance Reviews	339	350	365	380	400
Overall Percent of Compliance With Lawful Gambling Statutes and Rules	65%	72%	82%	90%	92%

- 1,700 organizations report lawful purpose expenditures monthly to ensure net profit expenditures are within guidelines established in M.S. 349. Our ultimate goal is 100% compliance.
- Communication with the industry provides for shared knowledge which is mutually beneficial. An Accounting Manual for Gambling Managers and a Gambling Manager handbook are tools to educate the lawful gambling industry. A monthly newsletter is sent to all organizations. Improving education and assistance to organizations up front will reduce the number of organizations referred to the board's Compliance Review Group for possible sanctions. Organizations are encouraged to contact staff to solve problems. A mentoring program is available to help newly licensed organizations understand regulations.
- The Interagency Task Force on Lawful Gambling shares areas of concern, allowing for consistency in responding to industry needs.

OBJECTIVES:

- To continue to provide effective regulation of lawful gambling, increasing overall compliance with statutes and rules from 65% to 92%.
- To continue to monitor expenditures of net profits to ensure they are used only for lawful purposes (as defined by statute).
- To provide continued technical assistance on lawful gambling requirements to assure compliance with law and rules.
- To continue participating in the Interagency Task Force on Lawful Gambling. This agency is working with the Department of Revenue, Public Safety Gambling Enforcement, and the Attorney General's Office to ensure clear and consistent information is provided to organizations.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's plan, except for the following adjustments:

1. The Governor recommends \$400,000 for an exhaustive study on the effects of gambling in Minnesota on its citizens and that it be conducted under the management and supervision of the Governor's Advisory Committee on Gambling; and

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: LAWFUL GAMBLING CONTROL

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	1,919	1,919	1,919	1,919				
TECHNICAL ADJUSTMENTS								
DOCUMENTED RENT/LEASE INC/DEC	1	2	1	2				
INSURANCE PREMIUM HOLIDAY	6	6	6	6				
SUBTOTAL TECH. ADJ.	7	8	7	8				
CURRENT SPENDING	1,926	1,927	1,926	1,927				
AGENCY BASE	1,926	1,927	1,926	1,927				

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Lawful Gambling Control, Board of
 PROGRAM: Lawful Gambling Control, Board of
 ACTIVITY:

ITEM TITLE: Study of the Effects of Gambling in Minnesota

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Expenditures: (\$000s)				
General Fund				
- State Operations	\$400	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends that an exhaustive study should be conducted on the effects of gambling in Minnesota and on its citizens and that it be conducted under the management and supervision of the Governor's Advisory Committee on Gambling. The Governor further recommends that this appropriation be made available for both years of the biennium.

Based upon the findings of his Advisory Committee on Gambling, the Governor recommends that the study consider numerous issues including, but not limited to, the following:

- The economic impact of gambling and an expansion thereof, including effect on charities, the environment, the general and other public funds, tribal governments, the hospitality industry, businesses, employment generally and local communities;
- The social consequences of gambling, such as its extent and effect on compulsive gambling, its role in causing bankruptcies, and its impact on juveniles;
- The impact of gambling on criminal activity and enforcement;
- The public demand for gambling including new wagering opportunities;
- The public expense and cost associated with gambling and the funding of these obligations, including public monies expended for the regulation of gambling, increased infrastructure to accommodate gambling expansion, prosecution of gambling-related criminal activity, and treatment of compulsive gamblers;
- The impact of gambling expansion on present forms of gambling and whether the state has responsibility for the continued viability of the existing industry;

- The effectiveness of regulation of both existing and new forms of gambling, including the resources and advance time necessary to properly regulate any new forms of gambling; and
- The problems, concerns, and advantages for each new form of expanded gambling, such as video gambling, riverboat gambling, and casino-type games.

OUTCOMES:

A study of this kind is particularly appropriate at this time due to the public debate whether gambling should be further expanded in Minnesota. An informed decision on this question cannot be made unless and until the consequences of any such expansion are fully investigated and analyzed. At present there is no objective base of information to meaningfully consider this critically important subject.

LONG-TERM IMPACT:

The ability to make an informed decision on a critically important issue.

1994-95 Biennial Budget

AGENCY: Minnesota State Lottery

MISSION:

The Lottery's mission is to provide secure gaming opportunities designed to maximize public participation and acceptance, within the guidelines provided by statute. More specifically, the Lottery will offer a wide range of paper and electronic gaming options designed to appeal to a variety of the state's citizens and visitors. This mission is intended to maximize the contributions to those projects and programs identified by the constitution and the legislature to receive lottery proceeds.

MINNESOTA MILESTONES:

The Lottery's efforts support a number of Milestones. Many dealing with the environment (i.e., "improving quality of air, water and earth," "opportunities to enjoy the state's natural resources") are exemplified by projects (milfoil research, ground water monitoring) funded through the Environmental and Natural Resources Trust Fund, a major beneficiary of Lottery net proceeds.

BACKGROUND AND ORGANIZATION:

The legislature established the Minnesota State Lottery during the 1989 legislative session after the citizens approved a constitutional amendment in 1988.

The Lottery Director is appointed by the Governor with the advice and consent of the Senate and can be removed only for certain causes outlined in the legislation.

A 7 member citizen board, appointed by the Governor, advises the Director. Members serve staggered terms of 4 years. Three members must reside in Greater Minnesota; 4 may reside in the metropolitan area. No more than 3 members can be from the same political party.

Three Assistant Directors, a Chief of Security, Legal Counsel and Executive Assistant comprise the executive staff with responsibilities for marketing, public and player information, electronic systems and games control, retailer network, personnel, finance, purchasing, administration and security of games and systems.

Lottery administrative headquarters are in Roseville with sales offices in Virginia, Marshall, Brainerd, Owatonna, Detroit Lakes and Eagan.

Headquarters staff manage financial, personnel, purchasing, facilities, information systems, ticket and promotional distribution; contracts with retailers to sell lottery products; develop marketing and advertising strategies; plan and conduct retailer and staff training and develop new lottery products. Telemarketing sales representatives call retailers bi-weekly to provide marketing assistance, take special ticket orders and provide promotional support services. Retailer contracting, games control and validations programs are operated from the headquarters location; as are security, warehousing, ticket validation computer systems, and general administration.

Field offices validate and pay winning tickets, maintain emergency ticket stock and promotional

items for retailers and provide training to retailers. In addition, the offices are headquarters for a statewide sales staff of 50 who call on retailers to train retailer staff, plan and run special sales promotions tailored to the needs of individual retailers, recruit retailers, and ensure placement of product and point-of-sale materials. Each regional office is also staffed by 3 support staff who pay winners, answer inquiries from players and retailers, fill emergency ticket orders, and general administrative duties.

On 8-14-90, the Lottery began selling tickets for Lotto*Minnesota and the Daily 3 games. Launching these new products involved designating and training 1,500 instant ticket retailers to also sell tickets for these on-line games.

On 5-22-91, the Lottery began selling tickets for a bi-weekly, cash lotto game, Gopher 5. On 4-19-92, the Lottery began selling tickets for a new on-line game, Powerball. This game replaced Lotto*Minnesota.

During August 1992, weekly sales of all Lottery games averaged \$6.5 million. Of that amount, approximately \$4.0 million was returned to winners; \$.4 million to retailers; \$1.1 million goes to Lottery beneficiaries and \$.4 million goes to the General Fund in lieu of sales tax. By that same date, a total of \$139.6 million has been credited to Lottery beneficiaries; \$46.2 million to the General fund in lieu of sales tax and \$420.0 million to Lottery winners since lottery sales began.

The network of instant and on-line retailers continues to change. Ultimately, the Lottery anticipates contracting with 4,000 instant and 1,800 on-line retailers. Those numbers are adjusted as the Lottery improves its ability to forecast sales and define successful retailer profiles.

Minnesota was the first lottery to begin operations with a completely automated ticket validation system. That system electronically verifies that tickets are actually winners and allows instant credit to retailers as they pay winning tickets and settle sold ticket packs. It significantly reduces payment of invalid tickets and ensures proper accounting for retailers.

Lottery net proceeds and payments in lieu of sales tax are deposited monthly with the state. Of all lottery ticket sales, 6.5% are designated as a "tax in lieu of sales tax" and are deposited in the General Fund. In 1991, the legislature designated two beneficiaries to receive lottery net proceeds.

They are:

- The Environmental and Natural Resources Trust Fund, which receives 40% of net proceeds, are dedicated by the state constitution to the fund, with the bulk of the money designated to building a permanent trust fund. A portion of the fund and interest is distributed annually by the Legislative Commission on Minnesota Resources for projects and programs which help protect and enhance the state's resources.
- The state General Fund receives 60% of net proceeds as non-dedicated revenues.

1994-95 Biennial Budget

AGENCY: Minnesota State Lottery
(Continuation)

F.Y. 1992 Breakdown of Lottery Costs and Proceeds/with Explanations:

	Dollars in Thousands	
	F.Y. 1992 Amount	Explanation
Revenues		
Ticket Sales	\$297,603	Retail Sale of Tickets
Less Tax (in lieu of Sales Tax)	<u>19,344</u>	6.5 % of Sales
Gross Receipts	\$278,259	Sales Less Tax
Plus Other Income	<u>1,190</u>	Int. Earned & Retailer Fees
Gross Revenue	\$279,449	Gross Receipts Plus Other Inc.
Costs		
Total Prizes	\$172,609	62% of Gross Receipts (Inst. Tickets Legal Prize Minimum is 60%)
Retailer Commissions	15,543	Commission is 5% of Sales
Retailer Incentives	1,991	Retailer Incentive Programs
Operating Expense	<u>34,655</u>	Includes Inst. Tkt & Delivery Costs, On-line Commissions, Advertising & Admin. Costs
Net Proceeds to Beneficiaries	\$54,651	Gross Revenue Less Costs
Payable to State		
Net Proceeds to Beneficiaries	\$54,651	Above
Tax to General Fund	<u>19,344</u>	Above
Total Payable to State	\$73,995	Total Transferred to State

CLIMATE:

The Lottery's mission is to maximize revenue for the state; it does that by selling lottery tickets. Lottery ticket sales can be dramatically affected by a number of factors: the state of the economy (unemployment, cost of essentials, consumer confidence), national and international events (Gulf War), competition for the discretionary dollar (other forms of gaming, recreation and entertainment). When those conditions adversely affect sales, it is essential that the Lottery initiate corrective action to maintain its revenues.

When sales took a sharp downturn during the first quarter of F.Y. 1992 that continued into the second quarter, lottery management initiated specific action to spur sales both by raising the prize payout on instant tickets and increasing advertising and promotions. Sales improved so significantly that net proceeds for the year exceeded the budget projection by \$2.8 million.

The novelty of the Lottery has naturally waned and with that comes the challenge of sustaining and increasing sales by means such as new and enhanced products, player promotions and retailer incentives.

The competition for discretionary gambling dollars in Minnesota is fierce. As alternative opportunities to wager arise or expand, new challenges to meet revenue expectations must be overcome. The Lottery intends to meet its objectives through merchandizing, advertising and promotion of its games, and the introduction of new and more attractive Lottery products.

	Lottery Budget Summary			
	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Income				
Instant Ticket Sales	\$205,906	\$218,956	\$218,956	\$218,956
On-line Daily 3 Sales	16,048	16,820	16,820	16,820
On-line Lotto Sales	44,600	0	0	0
On-line Powerball	8,359	54,534	54,534	54,534
On-line Gopher 5	<u>22,690</u>	<u>23,554</u>	<u>23,554</u>	<u>23,554</u>
TOTAL SALES	\$297,603	\$313,864	\$313,864	\$313,864
Less Tax	<u>19,344</u>	<u>20,401</u>	<u>20,401</u>	<u>20,401</u>
Gross Receipts	\$278,259	\$293,463	\$293,463	\$293,463
Plus Other Income	<u>1,190</u>	<u>1,174</u>	<u>1,174</u>	<u>1,174</u>
Gross Revenue	\$279,449	\$294,637	\$294,637	\$294,637
Costs				
Total Prizes	\$172,609	\$188,154	\$188,154	\$188,154
Retailer Commissions	15,543	15,693	15,693	15,693
Retailer Incentive	<u>1,991</u>	<u>2,103</u>	<u>2,103</u>	<u>2,103</u>
Subtotal	190,143	205,950	205,950	205,950
Operating Expense:				
Instant Tickets	2,950	3,127	3,127	3,127
Ticket Delivery	662	702	702	702
On-line Vendor Commission	6,153	6,587	6,587	6,587
Contrib: Compl. Gamb. & Public Safety	450	450	450	450
Advertising	7,609	8,102	8,102	8,102
Salaries & Benefit, Emp. Expense	7,458	8,536	8,777	9,232
Rent	1,352	1,364	1,371	1,419
Communications	1,582	1,675	1,734	1,795
Promotions	1,680	1,680	1,680	1,680
Depreciation	974	1,133	1,144	1,084
Other	<u>3,785</u>	<u>3,846</u>	<u>3,428</u>	<u>3,024</u>
Total Operating Expense	\$34,655	\$37,202	\$37,202	\$37,202

1994-95 Biennial Budget

AGENCY: Minnesota State Lottery
(Continuation)

	Lottery Budget Summary			
	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Net Proceeds	\$54,651	\$51,485	\$51,485	\$51,485
Tax (Above)	19,344	20,401	20,401	20,401
Total Paid to State	\$73,995	\$71,886	\$71,886	\$71,886

Revenue Summary/Beneficiaries:

	Dollars in Thousands			
	Actual F.Y. 1992	Estimate F.Y. 1993	Estimate F.Y. 1994	Estimate F.Y. 1995
Net Proceeds	\$54,651	\$51,485	\$51,485	\$51,485
Tax	19,344	20,401	20,401	20,401
Total Revenue to State	\$73,995	\$71,886	\$71,886	\$71,886

Explanation of Estimates

The Lottery ticket sales estimate is the key driver affecting most other Lottery costs/expenses such as tax (in lieu of sales tax), prizes and prize reserve, retailer commissions, on-line vendor expenses, and operating expenses. Sales estimates have been projected out for F.Y. 1993, 1994, and 1995. However, economic conditions affect lottery sales as other discretionary income businesses would be affected. The beneficiaries of the estimated Lottery net proceeds breakdown as follows:

Beneficiary	Actual	Estimate	Estimate	Estimate
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
40% Environment & Natural Res. Trust Fund	\$21,860	\$20,594	\$20,594	\$20,594
60% General Fund	32,791	30,891	30,891	30,891
Total Beneficiary	\$54,651	\$51,485	\$51,485	\$51,485
Tax to General Fund	19,344	20,401	20,401	20,401
Total Revenue to State	\$73,995	\$71,886	\$71,886	\$71,886

PROSPECTS:

The Minnesota State Lottery is recognized around the world as the most technically advanced in the Lottery industry and sets standards for the development of efficient operation throughout the industry. Unlike other state agencies, the Lottery is a retail, sales-driven business enterprise. As such, it must take steps to ensure the minimum interruption of its sales and redemption process since both affect dramatically its bottom line, and consequently its contribution to the state. During F.Y. 1992, the Lottery completed a Business Recovery Plan and established a "hot back-up site" at its regional office in Eagan. Both assure virtually uninterrupted operations for lottery sales, security, ticket validation, redemption and payments to retailers.

The Lottery stands ready to act as a source of information for the legislature and other policy makers who address questions of gaming in Minnesota. Should the legal or public debate over permissible state gaming formats yield directives for new lottery ventures, the Lottery stands ready to build upon its existing technological base and respond quickly with more variety in its product line.

OUTCOMES:

The performance measures of the Lottery are simple: maximize the contributions to tax and beneficiaries within the boundaries of the statute. Those boundaries include meeting legislatively mandated payout percentages for players, producing advertising which effectively promotes Lottery products while maintaining the dignity of the state, and restricting advertising expenditures to the percentage allowed in statute. To this end, the Lottery will attempt to maintain or improve its share of the gaming market and the larger discretionary/entertainment market. This will entail optimizing payouts at a level which is competitive without unnecessarily reducing net proceeds, working effectively with lottery retailers in successfully promoting the lottery, and continuing to review lottery operations to increase efficiency and cost-effectiveness. Specifically, our goals are to:

- Maintain contributions to the state at F.Y. 1993 levels or better;
- Maintain market share at 12% of the state gaming industry; and
- Continue to operate a network of retail outlets which provides convenient access to lottery products for all Minnesotans.

AGENCY BUDGET PLAN:

To maintain even the Lottery's current market share, and thus the state's profit from Lottery operations, the Lottery must continue to expend monies at the F.Y. 1993 levels by awarding prizes at the high levels established in the latter half of F.Y. 1992 as well as maintaining its efforts in promotions and advertising. Higher prize payouts (70% for some games), aggressive marketing, strategic advertising, increased emphasis on retailer promotions and incentives, innovation by field and telephone representatives, games control services and support by operations and technical staff made it possible for the Lottery to maintain its market share during this fiscal year and should have the same effect in F.Y. 1994 and F.Y. 1995.

The Lottery will continue to explore and implement methods of providing more cost effective advertising and promotions and more efficient operations, which still maintain or increase our market share. Those actions enable the Lottery's budget plan to absorb inflationary increases in operating costs and in salaries. Should the Lottery attempt a reduction of operating expenses from the levels budgeted for F.Y. 1993, it is highly probable that the result would be lowered sales and a corresponding decrease in the state's profit greater than the operating funds saved. Therefore, the Lottery's budget plan shows no increase in overall operating expenses through the next biennium, and shows the same total amount paid to state in each year of the next biennium as that paid in F.Y. 1993.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. No reductions in operating expenses should be attempted in order that net proceeds be maximized.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE LOTTERY
PROGRAM: STATE LOTTERY
ACTIVITY: STATE LOTTERY

ACTIVITY SUMMARY				FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	6,556	7,093	8,264	8,264	8,756	8,756	8,264	9,277	9,277
MISC OPERATING EXPENSES	83	85	132	132	136	136	132	141	141
OTHER		70	140	140	145	145	140	150	150
SUBTOTAL STATE OPERATIONS	6,639	7,248	8,536	8,536	9,037	9,037	8,536	9,568	9,568
TOTAL EXPENDITURES	6,639	7,248	8,536	8,536	9,037	9,037	8,536	9,568	9,568
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
AGENCY	6,639	7,248	8,536	8,536	9,037	9,037	8,536	9,568	9,568
TOTAL FINANCING	6,639	7,248	8,536	8,536	9,037	9,037	8,536	9,568	9,568
POSITIONS BY FUND:									
AGENCY	201.0	207.2	210.0	210.0	210.0	210.0	210.0	210.0	210.0
TOTAL POSITIONS	201.0	207.2	210.0	210.0	210.0	210.0	210.0	210.0	210.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: STATE LOTTERY

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	8,536	8,536			8,536	8,536		
CURRENT SPENDING	8,536	8,536			8,536	8,536		
FORECAST ADJUSTMENTS								
DED STAT APPROP SPENDING	501	1,032			501	1,032		
SUBTOTAL FORECAST ADJ.	501	1,032			501	1,032		
AGENCY BASE	9,037	9,568			9,037	9,568		

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Minnesota Racing Commission

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$1,061	\$1,063	\$2,124
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$1,061	\$1,063	\$2,124
Inflation Cost Increases	37	73	110
Agency Management Decisions			
Agency Operations:			
Reduce Seasonal Staff		\$(13)	\$(13)
Reduce Professional/Technical Services		(12)	(12)
Reduce Purchased Services		(7)	(7)
Reduce Communications		(5)	(5)
Reduce Cost of Equine Drug Testing	\$(90)	(84)	(174)
No Capitol Equipment Purchases		(5)	(5)
Simulcasting/Limited Live Racing	<u>(173)</u>	<u>(173)</u>	<u>(346)</u>
Subtotal	<u>\$(263)</u>	<u>\$(299)</u>	<u>\$(562)</u>
TOTAL AGENCY PLAN	\$835	\$837	\$1,672
Governor's Initiatives			
Salary Planning Estimates	\$(17)	\$(17)	\$(34)
Revised MRC Scenario	<u>(352)</u>	<u>(620)</u>	<u>(972)</u>
GOVERNOR'S RECOMMENDATION:	<u>\$818</u>	<u>\$820</u>	<u>\$1,638</u>
	<u>\$466</u>	<u>\$200</u>	<u>\$666</u>

Brief Explanation of Agency's Overall Actions:

Because the Minnesota Racing Commission has recently undertaken measures to reduce the cost of the drug testing of horses racing at Canterbury Downs, the 5% base cut as well as projected compensation and inflationary costs can be absorbed in F.Y. 1994 through the use of these savings. In F.Y. 1995, the agency will attempt reductions in expenditures for Communications, Purchased Services, Seasonal Staff, Professional/Technical Services and Capital Equipment Purchases to make up the balance.

In addition to the target reduction amount, a further budget reduction of \$173,000 per year is proposed. This proposed reduction assumes a shortened live racing meet of approximately 45 days

and year-round simulcasting. Although the eventual outcome may differ from these assumptions, the level of uncertainty does not warrant further changes to the agency plan at this time.

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	
2. Impact on Staffing:			
Positions left Vacant	0.0	0.0	
3. Impact on Revenue Generation:	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
<u>Agency Plan</u>			
General Fund	\$(142)	\$(142)	\$(284)
Special Revenue	\$(129)	\$(129)	\$(258)

General Fund revenues will be reduced by the amount of the equine drug cost savings since the Commission's cost for this expenditure is fully reimbursed by the racetrack. However, because the cost savings will ultimately accrue to the licensed operator of the racetrack, additional funds will be available for economic gains to persons directly employed in the industry through possible purse increases or other expenditures which benefit the horsemen and women. In addition, a shortened live racing season will moderately reduce revenues to the General Fund.

4. Affected Statutes:

None.

5. Governor's Recommendation:

~~Because of the uncertainty surrounding the status of live horse racing and simulcasting, the Governor supports the agency plan at this time; however, the proposed funding has been further reduced due to revised salary planning estimates.~~

The Governor amends his budget recommendation for the Minnesota Racing Commission based on a reduced likelihood, next biennium, for limited live racing and simulcasting at Canterbury Downs. The revised budget maintains resources in the first year for possible county fair live racing and simulcasting. The recommended General Fund reduction is \$352,000 in F.Y. 1994 and \$620,000 in F.Y. 1995.

Estimated revenues have been reduced to zero. The March forecast removed revenue projections for the Pari-mutuel tax. This recommendation now eliminates the agency's departmental earnings estimates for drug testing reimbursements, fines, and licenses. The loss of departmental earnings is estimated to reduce General Fund revenues by \$243,000 per year. Adjusting for this revenue loss, the revised recommendation saves the General Fund \$486,000 in the 1994-95 biennium.

AGENCY: Minnesota Racing Commission

MISSION STATEMENT:

The Minnesota Racing Commission (MRC) is a regulatory agency that was created in 1983 to supervise and control the pari-mutuel horse racing industry in Minnesota. The MRC is charged with establishing criteria and standards for licensing of all racetracks where pari-mutuel wagering is conducted, as well as all personnel employed or operating at such facilities. The MRC, through its rule-making authority, has established criteria and standards for the provision of security and law enforcement at licensed racetracks as well as veterinary services and oversight. Further, the MRC has the responsibility for collecting and distributing all taxes and fees related to pari-mutuel horse racing to the General and Breeders' Funds.

The primary goal of the commission is to ensure the integrity of horse racing within the state of Minnesota which assures that players who desire to participate in this form of risk entertainment will receive peak performances during each race from each trainer, jockey and horse. This then leads to economic stability and growth for all involved (track operators, horse owners, employers, agricultural product suppliers) in the racing/breeding industry.

MINNESOTA MILESTONES:

The work of the Racing Commission through firm yet fair regulation supports the Minnesota Milestones theme of "A Prosperous People."

An operating racetrack provides not only direct employment to those working on both the frontside and backstretch of the racetrack but also to the many suppliers of goods and services to maintain track operations as well as the care, feeding, and training of racehorses. All revenues supporting the payment of wages, feed bills, veterinary bills, hay/straw bills, etc. comes from the wagering handle. The handle (total amount wagered) determines the amount of purse money available to horsemen and women and is subsequently distributed to workers and suppliers. Effective regulation increases each player's confidence as he/she participates in this form of risk entertainment. As wagering pools increase, so does the revenue available for competitive participants. Much of the purse distributions go to rural areas within which the breeding and training operations are located which buy their supplies and feedstuffs from local agricultural operations.

CLIMATE:

Competition from other forms of gambling: A decline in the wagering handle at Canterbury of 55% since 1990 is predicted by the end of 1992. In 1991, the \$87 million wagered comprised only 3.5% of the state's total gambling handle. This decline is directly related to the growth of lawful gambling, the lottery and the advent of casino gambling on Indian lands and the resulting shift in the public's appetite for those forms of gambling versus pari-mutuel. For the first few years after 1985 when Canterbury opened, some very impressive attendance and wagering levels were achieved. This directly contributed to the growth of breeding and training operations throughout the state.

With the passage of teleracing legislation during the 1991 session which permitted a Class B pari-mutuel facility to operate up to 4 teleracing (OTB) facilities, it was hoped by the industry that this would put in place the marketing and distribution opportunity desperately needed to compete with these other forms of gambling. However, the constitutionality of that legislation was successfully challenged, leaving Canterbury Downs and the horse racing industry to pursue other measures to deliver its entertainment product to the public. Thus, as was expected, the handle for the past 2 years has declined substantially each year with detrimental effects on the financial return

to those who have invested in this industry, both the racetrack and individual farm/breeding operators.

Two new types of pari-mutuel horse racing programs are being proposed in response to the decrease in live racing handle and days: pari-mutuel racing of standardbred horses at Minnesota county fairs and a Midwest racing circuit of live racing at each of several midwestern tracks in alternative years.

The latter was recommended by the governor's commission on Canterbury Downs in their report released on September 15. It would include the simulcasting of all live races at each track to several other tracks in the circuit and allow Minnesota bred horses to compete at tracks in close proximity to Minnesota, if not at Canterbury.

The commission developed rules for the regulation of pari-mutuel racing at county fairs last year but until recently no interest had been expressed in filing an application. However, standardbred breeders have recently expressed interest in pari-mutuel racing at county fairs in Minnesota's rural areas. Should the commission issue a class D license for this purpose, additional pari-mutuel revenues would accrue to the state and a new fan base for this type of entertainment would be created.

Should either of these forms of presenting the racing product become operational, the commission would face new challenges in preparing the necessary new rules and evaluating new applications. However, their successful implementation would also add to the state's General Fund revenue.

AGENCY BUDGET PLAN:

Regulating horse racing within the climate described above is extremely difficult. The proliferation of interstate common pool wagering via simulcasting, decrease in live racing days, and the Supreme Court decision on off-track betting and telephone account wagering have required that the commission be flexible and vigilant to assure the integrity of racing and pari-mutuel wagering in all of its aspects. In this changing environment, the MRC strives for effective regulation despite a small staff of only 9 full-time persons to license, collect pari-mutuel taxes, monitor year-round simulcasting from other states and assure safety of the horses and persons who work directly in the industry as well as racing fans who are both regular and sometime patrons.

Under current law, the estimated cost of equine drug testing for horses racing at Canterbury Downs is included in the agency General Fund appropriation. The actual costs incurred by the commission for this purpose are fully reimbursed by the racetrack. Recently, the MRC has undertaken measures to reduce these costs (which have risen 12% since F.Y. 1991) because the commission deemed it no longer cost effective to maintain the lab established at the University of Minnesota for this purpose year-round, when the total number of live racing days in 1992 was the lowest since 1985 and future live meets are in doubt.

The commission is exploring the use of existing laboratories elsewhere which can maintain the quality of equine drug testing achieved since pari-mutuel racing in Minnesota began, without the year-round personnel/maintenance costs required by the University lab. Although there is a great deal of uncertainty as to what costs would be incurred (since the future of any live racing in the state is indeterminate at this time) preliminary estimates indicate the cost of equine drug testing for a 95 day meet (the number of days in the 1992 live racing meet) could save the commission and in turn, the racetrack, approximately \$100,000 annually.

This reduction in costs is sufficient to absorb the required F.Y. 1994-95 5% base cuts. But additional reductions would be necessary in 1995 to cover projected inflationary and compensation costs. Though equine drug testing costs are fully reimbursed by the racetrack, reducing them will help the industry by making additional funds available for racetrack operations and purses in these financially troubled times.

AGENCY: Minnesota Racing Commission
(Continuation)

Simulcasting/Limited Live Racing Scenario: An additional assumption has been made regarding the budget plan for the 1994-95 biennium based on the current status of negotiations between Ladbroke and horse owner representatives. The assumption is that the parties will agree to approximately 45 days of live racing each year and year-around simulcasting. Based on this assumption, the budget plan shows a further expenditure reduction of \$173,000 each year from the current expenditure level.

In view of the uncertain regulatory role the Racing Commission will have in the next biennium, the agency requests that a rider allowing the MRC to move funds between its 2 fiscal years be attached to its biennial appropriation to allow greater flexibility in meeting the challenges of the potential changes outlined in the "Climate" section above.

OBJECTIVES:

Under the commission's overarching goal to ensure the integrity of pari-mutuel racing in Minnesota lie 4 major areas, 3 of which: Pari-mutuel Oversight, Licensing and Security, and Veterinary Services and Oversight are funded through the agency's General Fund appropriation. The fourth, Breeders' Fund Administration, receives funding from a portion of the Breeders' Fund tax pursuant to M.S. 240.18. The goals of each of these programs are summarized below.

1. Pari-mutuel and Financial Oversight

Primary: To assure that the state of Minnesota, Minnesota racetrack patrons, and horsemen and women get the monies they are due under Minnesota law and rules. In line with this objective:

- Audit General Fund and Breeders' Fund tax returns daily.
- Maintain unredeemed ticket and reimbursement accounts.
- Prepare daily deposits.
- Verify compliance with all pertinent Minnesota laws and rules and laws/rules of other states when interstate simulcasting is conducted.
- Investigate patron complaints and audit pari-mutuel activities.

Secondary: Maintain computer data base containing historical pari-mutuel statistics and report statistics to legislature annually as required by law and to commissioners and others as requested.

2. Licensing and Security

To Provide:

- Technical Assistance to the MRC relative to all investigations, security and public safety matters.
- Thorough background investigations on all Class A, B, and C applicants to insure that those meeting statutory criteria are licensed.
- Continuous screening and investigative procedures to enforce the MRC rules and statutes of racing and to insure the integrity of racing in Minnesota.
- Protection of the health, safety and welfare of racing participants and race track patrons.
- To issue and process all Class "C" license applications
- To evaluate license applications and disseminate necessary data to proper authorities, i.e. MRC Director of Security, Stewards, Racing Department.
- To monitor racing schedules in order that all racing participants are licensed.
- To develop and maintain an accurate computer data base for all records on licensees.

3. Veterinary Services and Oversight

Overall: To assure all participants in racing—fans, horsepersons, and horses—that on the day of the race, each animal will perform to its highest ability that day.

- protect horses from abuse
- minimize racing accidents and harm to riders
- protect owners' investments and patrons' risk investment
- ensure consistent performances through careful enforcement of controlled medication programs.
- deter use of illegal medications
- monitor the long-term condition of the racing surface.

4. Breeders' Fund Administration

- To register, record and maintain data base for Minnesota bred stallions, mares, and foals of all breeds racing in Minnesota and renew registrations annually.
- Monitor purse supplements paid in restricted and open races.
- Verify eligibility of Minnesota bred horses for scheduled racing programs.
- To make award payments to owners and breeders of Minnesota bred registered horses annually in accordance with Minnesota rules.

REVENUE:

Pari-mutuel racing generates dedicated and non-dedicated revenue. Components of the non-dedicated revenue listed in the table include pari-mutuel taxes, unredeemed tickets, license fees and fines, state's share of breakage and reimbursement for the cost of equine drug testing. The balance of the revenue indicated below is that collected for the Minnesota Breeders' Fund distributed per M.S. 240.18 to grants for equine research and related education, substance abuse projects and promotion and public information regarding industry and commission activities; Breeders' Fund Administration; Thoroughbred, Quarterhorse, Arabian and Standardbred awards and purse supplements; and reimbursement for the cost of stewards, assistant veterinarians and law compliance representatives for medication oversight.

Type of Revenue	Dollars in Thousands				
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Non-Dedicated - General	\$2,073	\$1,628	\$1,256	\$1,114	\$1,114
Dedicated-Special	967	752	800	671	671
Total Revenue	<u>\$3,040</u>	<u>\$2,380</u>	<u>\$2,056</u>	<u>\$1,785</u>	<u>\$1,785</u>

GOVERNOR'S RECOMMENDATION:

~~Because of the uncertainty surrounding the status of live horse racing and simulcasting, the Governor supports the agency plan at this time; however, the proposed funding has been reduced due to revised salary planning estimates. The Governor supports the agency request for authority to transfer appropriations between years in the 1994-95 biennium if it is necessary for the agency to adjust its plan to meet changing regulatory demands.~~

The Governor amends his budget recommendation for the Minnesota Racing Commission based on a reduced likelihood, next biennium, for limited live racing and simulcasting at Canterbury Downs. The revised budget maintains resources in the first year for possible county fair live racing and simulcasting. The recommended General Fund reduction is \$352,000 in F.Y. 1994 and \$620,000 in F.Y. 1995.

1994-95 Biennial Budget

AGENCY: Minnesota Racing Commission
(Continuation)

Estimated revenues have been reduced to zero. The March forecast removed revenue projections for the Pari-mutuel tax. This recommendation now eliminates the agency's departmental earnings estimates for drug testing reimbursements, fines, and licenses. The loss of departmental earnings is estimated to reduce General Fund revenues by \$243,000 per year. Adjusting for this revenue loss, the revised recommendation saves the General Fund \$486,000 in the 1994-95 biennium. Estimated earnings for the dedicated Minnesota Breeder's Fund have also been reduced to zero.

The General Fund complement is reduced to 5 in F.Y. 1994 and is further reduced to 2 in F.Y. 1995. Complement in the Special Revenue fund is eliminated.

The Governor recommends giving the agency carry-forward and carry-back authority between years in the biennium to provide flexibility to deal with the uncertainties of horse racing regulation in Minnesota.

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1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN RACING COMM
PROGRAM: RACING COMMISSION
ACTIVITY: RACING COMMISSION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	488	556	631	631	558	311	631	558	160
EXPENSES/CONTRACTUAL SRVCS	545	720	593	592	439	97	595	442	26
MISC OPERATING EXPENSES	321	255	265	264	264	50	264	264	12
SUPPLIES/MATERIALS/PARTS	40	30	16	16	16	8	16	16	2
CAPITAL EQUIPMENT	1	7	5	5	5		5	5	
OTHER	15	6							
SUBTOTAL STATE OPERATIONS	1,410	1,574	1,510	1,508	1,282	466	1,511	1,285	200
LOCAL ASSISTANCE	195	170	218	218	218		218	218	
TOTAL EXPENDITURES	1,605	1,744	1,728	1,726	1,500	466	1,729	1,503	200
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<17>			<17>
(A) REVISED MRC SCENARIO			GEN			<352>			<620>
(A) REVISED MRC SCENARIO			SR			<665>			<666>
TOTAL GOV'S INITIATIVES						<1,034>			<1,303>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	915	1,121	1,063	1,061	835	466	1,063	837	200
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	690	623	665	665	665		666	666	
TOTAL FINANCING	1,605	1,744	1,728	1,726	1,500	466	1,729	1,503	200

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN RACING COMM
PROGRAM: RACING COMMISSION
ACTIVITY: RACING COMMISSION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====									
POSITIONS BY FUND:									
GENERAL	8.0	10.0	11.0	8.0	8.0	5.0	8.0	8.0	2.0
SPECIAL REVENUE	1.5	1.0	1.0	1.0	1.0		1.0	1.0	
=====									
TOTAL POSITIONS	9.5	11.0	12.0	9.0	9.0	5.0	9.0	9.0	2.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: MINN RACING COMM

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	1,728	1,728	1,063	1,063	665	665		
TECHNICAL ADJUSTMENTS								
SUNSET PROGRAM/AGENCY	<9>	<9>	<9>	<9>				
DOCUMENTED RENT/LEASE INC/DEC	3	6	3	5			1	
INSURANCE PREMIUM HOLIDAY	4	4	4	4				
SUBTOTAL TECH. ADJ.	<2>	1	<2>				1	
CURRENT SPENDING	1,726	1,729	1,061	1,063	665	666		
AGENCY BASE	1,726	1,729	1,061	1,063	665	666		

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**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Ethical Practices Board

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$351	\$351	\$702
Forecast Adjustments	-0-	-0-	-0-
AGENCY BASE	\$351	\$351	\$702
Inflation Cost Increases	10	21	31
Agency Management Decisions			
Agency Operations:			
Hold positions vacant	\$(0-)	\$(11)	\$(11)
Eliminate copies to State Auditors	(1)	(3)	(4)
Eliminate free distribution of Contribution Receipt Books	(6)	(6)	(12)
Across-the-Board	(21)	(19)	(40)
Subtotal	<u>\$(28)</u>	<u>\$(39)</u>	<u>\$(67)</u>
TOTAL AGENCY PLAN	<u>\$333</u>	<u>\$333</u>	<u>\$666</u>
Governor's Initiatives			
Salary Planning Estimates	\$ (9)	\$ (9)	\$(18)
GOVERNOR'S RECOMMENDATION	<u>\$324</u>	<u>\$324</u>	<u>\$648</u>

2. Impact on Staffing:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Positions left Vacant or Eliminated	(.5)	(.5)

3. Impact on Revenue Generation:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-
<u>Governor's Initiatives</u>	\$-0-	\$-0-	\$-0-

4. Affected Statutes:

M.S. 10A.322, Subd. 4
M.S. 10A.322, Subd. 5

5. Governor's Recommendation:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

Brief Explanation of Agency's Overall Actions:

The board will propose legislation that will eliminate the need to send to county auditors copies of all reports filed by legislative candidates. Additional proposed legislation will require candidates and political parties to pay for the costs of printing contribution receipt forms by purchasing these forms which to date have been provided free of charge. The board will hold fewer board meetings to save per diem and travel costs. Additionally, all staff training, consultant services, new equipment purchases, and unnecessary informational mailings will be eliminated. In F.Y. 1995, the board will lay off 1 employee, lacking staff turnover, to meet the mandated decreases.

1994-95 Biennial Budget

AGENCY: Ethical Practices Board

MISSION:

The Ethical Practices Board is the service and regulatory agency that develops and implements the administration and enforcement of state laws for the disclosure of public and local officials' financial interests and potential conflicts of interest; for the disclosure of lobbying disbursements to influence state legislative actions, administrative actions, and the official actions of metropolitan governmental units; and for the distribution of public subsidy to qualified state candidates and the state committee of a political party.

The primary mission of the board is to promote public confidence in state government decision making, both through effecting timely compliance with disclosure and public subsidy laws and through developing programs which will increase public access to information filed with the board.

The board operates in 3 major areas: compliance and enforcement, public subsidy program, and client service and education to achieve the following mission-related objectives:

- to secure and make available timely accurate disclosure reports and statements,
- to administer the public subsidy program to lessen the reliance on large contributors and limit campaign expenditures, and
- to improve compliance through customer and client education services.

MINNESOTA MILESTONES:

Minnesota Milestone. People will believe their participation in government is meaningful. The percentage of dollars contributed to campaigns coming from small contributions, is based on data collected by the board. However, the mandated decrease in the board's budget may have a negative effect on the timeliness of data entry and on staff ability to ascertain that data on the filed reports is accurate and properly reported. The board will be able to continue to make the forms available to filers, to accept the filed forms, enter the data, and check for compliance. Additionally, the timeliness of the data entry may be delayed. If the number of people contributing does increase in correspondence with the goal, timeliness again becomes a factor in data entry and retrieval in light of potential layoff projected for F.Y. 1995.

CLIMATE:

The board has experienced a dramatic increase in the number of clients registering with and reporting to the board. Additionally, each year the legislature passes legislation that expands the definition of those who must file, the number of documents that must be filed by existing clients, and the number of items that must be examined on filed reports. The board's budget has not kept pace with inflation as measured by candidate spending limits. The overall doubling of clients with commensurate increases in most budget line item costs has hampered the board in efforts to effect timely and accurate filings. During 1991, the board was forced to lay off its only part-time employee to meet other obligations. The board is concerned with the public's perception of and confidence in the state's elected officials. However, funding in this budget does not allow the board and its staff to adequately monitor compliance.

OBJECTIVES:

The board's primary objective is to ensure and increase the timely and accurate filing of required documents as stated above. In keeping with Minnesota Milestones, the board will attempt to

maintain a data base of all contributors to candidates and committees and to reconcile contribution data on filed reports.

OUTCOMES:

The board will provide an appropriate filing form to each entity required to file. The staff will attempt to secure timely receipt of statements and reports required by statute. In addition, the board will begin to compile a list of the names of all individuals who contribute more than \$100 in a year to state candidate committees. Decreased funding may impede the board's ability to timely desk review and summarize filed documents. However, each of these documents will be available for public inspection and copying at cost in the board office as mandated by state law.

The percentage of campaign finance reports that needed to be amended increased from less than 5% in 1989 to 12% in 1991. This increase was due in part to a number of changes in campaign finance laws in the last few years. The board will monitor these compliance issues and educate clients in an attempt to decrease the percentage of documents that are filed inaccurately. During 1992, 94.1% of candidates for legislative office agreed to limit their spending as a provision for obtaining public subsidy. The board will monitor spending limit compliance by those candidates and contribution limit compliance by all candidates for party designated offices in an attempt to increase the public's confidence in candidates for and holders of state elective offices. In the 1988 and 1990 elections, only 3 candidates exceeded the expenditure limits each year (total: 6). Contribution limits were exceeded by 7 candidate committees in 1990 and 9 candidate committees in 1991 (total: 16). The board will try to continue to monitor the level of compliance. In addition, the board will begin to track the number of individuals who make contributions in excess of \$100 to Chapter 10A candidates. There are more contributors in election years than in non-election years, so accurate comparisons will be based on 2 year cycles beginning with contributions made during 1992.

REVENUE:

The only revenue generated by the board is for photocopying charges of \$4,000 per year. These amounts are already calculated into the board's budget as dedicated receipts.

AGENCY BUDGET PLAN:

The board recommends legislation to eliminate the need for the board to send copies to appropriate county auditors of all statements and reports filed by legislative candidates. This legislation will decrease postage, printing, photocopying, and supply costs. In a survey conducted by staff, the county auditors and other interested persons felt that if copies of the filed documents were available to them upon request, there would be no need to continue to send copies of all statements and reports to each county auditor in each legislative district.

The board recommends also that the users of the contribution refund program pay for the costs of the receipt booklets. The board will continue to monitor the entities entitled to receive these booklets, disburse the booklets, and notify the Department of Revenue of those candidates entitled to have their contributions refunded. However, the candidates and political party units would pay for the printing of these booklets.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ETHICAL PRACTICES BD
PROGRAM: ETHICAL PRACTICES BD

ACTIVITY RESOURCE ALLOCATION:	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ETHICAL PRACTICES BD	323	345	355	357	337	328	357	337	328
PUBLIC FINANCING	4,551	126	2,855	2,855	2,855	2,855	2,855	2,855	2,855
TOTAL EXPENDITURES BY ACTIVITY	4,874	471	3,210	3,212	3,192	3,183	3,212	3,192	3,183
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<9>			<9>
TOTAL GOV'S INITIATIVES						<9>			<9>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	323	340	349	351	333	324	351	333	324
STATUTORY APPROPRIATIONS:									
GENERAL		5	6	6	4	4	6	4	4
SPECIAL REVENUE	4,551	126	2,855	2,855	2,855	2,855	2,855	2,855	2,855
TOTAL FINANCING	4,874	471	3,210	3,212	3,192	3,183	3,212	3,192	3,183
POSITIONS BY FUND:									
GENERAL	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
TOTAL POSITIONS	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: ETHICAL PRACTICES BD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	3,210	3,210	355	355	2,855	2,855		
<u>TECHNICAL ADJUSTMENTS</u>								
INSURANCE PREMIUM HOLIDAY	1	1	1	1				
PLANT MANAGEMENT REBATES	1	1	1	1				
SUBTOTAL TECH. ADJ.	2	2	2	2				
CURRENT SPENDING	3,212	3,212	357	357	2,855	2,855		
<u>FORECAST ADJUSTMENTS</u>								
DED STAT APPROP SPENDING	<2>	<2>	<2>	<2>				
SUBTOTAL FORECAST ADJ.	<2>	<2>	<2>	<2>				
AGENCY BASE	3,210	3,210	355	355	2,855	2,855		

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Minnesota Municipal Board

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$286	\$287	\$573
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$286	\$287	\$573
Inflation Cost Increases	7	14	21
Agency Management Decisions			
Savings from Joint Agreements	\$(21)	\$(21)	\$(42)
Salary Reductions	<u>-0-</u>	<u>(7)</u>	<u>(7)</u>
Subtotal	<u>\$(21)</u>	<u>\$(28)</u>	<u>\$(49)</u>
TOTAL AGENCY PLAN	\$272	\$273	\$545
Governor's Initiatives			
Salary Planning Estimates	\$ (7)	\$ (7)	\$(14)
Restore Reductions	14	14	28
Local Area Network	<u>40</u>	<u>-0-</u>	<u>40</u>
Subtotal	<u>\$ 47</u>	<u>\$ 7</u>	<u>\$ 54</u>
GOVERNOR'S RECOMMENDATION	<u>\$319</u>	<u>\$280</u>	<u>\$599</u>

2. Impact on Staffing:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
None.	-0-	-0-

3. Impact on Revenue Generation:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-

4. Affected Statutes:

None.

5. Governor's Recommendation:

The Governor recommends restoring reductions proposed in the agency's plan, and \$40,000 for the biennium which incorporates an initiative for a local area network. The proposed funding has been reduced due to revised salary planning estimates.

Brief Explanation of Agency's Overall Actions:

The agency will continue to use savings from cancelled hearings when agreement, encouraged and facilitated by the board, is reached at the local level on contested boundary adjustments. Since settlements cannot be guaranteed, the amount saved cannot be accurately predicted. The funds will come from the agency's only budget program, and specifically from per diem, travel, and court reporter expenses.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: MINN MUNICIPAL BOARD

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) RESTORE REDUCTIONS	GEN	14	14	28			
(A) SALARY PLANNING ESTIMATES	GEN	<7>	<7>	<14>			
(P) DATA BASE	GEN	40		40			
TOTAL BY FUND	GEN	47	7	54			
TOTAL INVESTMENT INITIATIVES		47	7	54			

1994-95 Biennial Budget

AGENCY: Minnesota Municipal Board

MISSION:

The Minnesota Municipal Board is the sole agency that reviews, adjudicates, and facilitates municipal and township boundary expansion or contraction, incorporation of new cities, and consolidation of cities.

The quasi-judicial agency was created in response to boundary chaos; to halt the incorporation of small, uneconomic cities; and to provide a state-wide system of boundary adjustment for efficient and economic delivery of services.

The vast majority of requests initiating boundary change, and necessitating board response, come from property owners and the remainder from cities and townships. Many communities seldom deal with boundary adjustments, and their knowledge of available options is limited. The board provides daily information, technical assistance, and identification of helpful resources. All requests for boundary adjustments affect local government and have the potential for conflict or agreement.

Board decisions accommodate growth or change taking place in the community and are at the juncture between competing interests of citizens and developers, local government, planning authorities, and state and federal agencies. The board's decisions impact on the issues of:

- efficient delivery of services
- protection of the environment
- new construction and jobs
- agricultural preservation
- protection of the public health, safety, and welfare

MINNESOTA MILESTONES:

The work of the Municipal Board supports Minnesota Milestones goals. "Government in Minnesota will be cost-efficient and services will be designed to meet the needs of the people who use them. "We will improve the quality of air, water and earth," and "people will participate in government and politics."

The Municipal Board contributes to these goals by:

- assisting citizens to participate in boundary adjustments;
- encouraging local governments to address the problems and responsibilities that go with development to protect the environment and provide efficient delivery of services; and
- encouraging communities to work together to reach mutually agreeable solutions at the local level.

- government decisions made at the lowest possible level of government;
- empowering communities rather than simply delivering services, emphasis on self help;
- enhancing multi-community coalitions; and
- protecting and improving the environment.

CLIMATE:

The agency anticipates an increase in more contested and complex petitions, particularly consolidation of cities and incorporation of new cities, and other boundary changes due to: recent boundary law changes, demographic changes, development (particularly lake areas), increased demand for services, availability and competition for decreasing local government aids, increased reliance on real estate taxes to fund local services, agricultural issues, environmental concerns generated by maturing development, aging wells and septic systems, and increased enforcement of regulations for on-site septic systems.

The agency anticipates an increased demand to provide ongoing education to citizens and communities involved in boundary adjustments and consolidation of cities in particular.

OBJECTIVES:

To adjust boundaries between cities and townships and consolidate and merge communities to improve the delivery of services, community development, the environment, and viability of agricultural land.

To continue to provide information, conduct hearings and meetings, and to issue orders within the statutory framework to achieve the Municipal Board's mission. The board will continue to encourage and to assist in:

- negotiating settlements at the local level;
- empowering people and communities in a participatory process; and
- providing assistance to communities as they explore development alternatives and investigate boundary options, particularly consolidation or merger.

To reduce costs to individuals, local government, counties, school districts, and the state.

To investigate options to increase community outreach and better demonstrate outcomes of boundary adjustments.

OUTCOMES:

In F.Y. 1992:

The board responded to customer-driven requests and acted on a total of:

- 217 petitions/requests for boundary adjustments/consolidation of cities
- 88 annexation ordinances
- 74 Municipal Board decisions/orders as follows:
 - 7 annexations (city expansion)
 - 61 orderly annexations (city expansion)
 - 2 detachments (township expansion)
 - 3 concurrent detachment/annexations (between cities)
 - 1 incorporation (creation of a new city)

1994-95 Biennial Budget

**AGENCY: Minnesota Municipal Board
(Continuation)**

The board appointed 2 commissions at the local level to study consolidation of their cities, hold public hearings, and make recommendations to the board.

The board conducted 59 meetings and 17 hearings.

Decisions were made timely and achieved within the Municipal Board rules and statutory limitations.

The agency has assisted communities to create, at the local level, over 290 agreements which plan for future boundaries, delivery of services, and related matters of mutual concern.

Only 1 appeal was made to District Court from the above Municipal Board decisions.

The benefits received by the citizens/local government as the result of the Municipal Board budget includes:

- 3,578 acres of land were adjusted by the board to provide for more efficient delivery of services and protection of the environment.
- New construction and jobs were created as the result of board action for 918 acres of residential development, 732 acres of commercial development, 554 acres of institutional development, and 282 acres of industrial development. The board protected the stability of 45 acres of agricultural land.
- 3,017 acres of land was adjusted to improve the contiguity between governmental units.
- 1,758 acres of parks, sewage treatment plants, roads, or other city-owned land was adjusted to protect the public health, safety, and welfare of Minnesota citizens, counties, townships, and school districts.

REVENUE:

The Municipal Board generates non-dedicated revenue to the General Fund.

Dollars in Thousands				
F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
\$29.0	\$28.0	\$28.0	\$29.0	\$30.0

AGENCY BUDGET PLAN:

The agency anticipates a shortfall of \$7,000 in F.Y. 1994 and \$14,000 in F.Y. 1995 for a total of \$21,000 as a result of projected compensation costs, and other operating inflation.

- The agency will continue to use savings from cancelled hearings when agreement, encouraged and facilitated by the board, is reached at the local level on contested boundary adjustments. Since settlements cannot be guaranteed, the amount saved cannot be accurately predicted. The funds will come from the agency's only budget program, and specifically from per diem, travel, and court reporter expenses.

GOVERNOR'S RECOMMENDATION:

The Governor recommends restoring reductions proposed in the agency's plan, and \$40,000 for the biennium which incorporates an initiative for a local area network. The proposed funding has been reduced due to revised salary planning estimates.

The Information Policy Office has reviewed and supports the local area network initiative consistent with any requirements identified in its analysis.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN MUNICIPAL BOARD
PROGRAM: MUNICIP BOUND CREATE
ACTIVITY: MUNIC BOUND CREATION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	203	206	226	223	219	219	223	226	226
EXPENSES/CONTRACTUAL SRVCS	29	34	44	41	36	38	42	35	37
MISC OPERATING EXPENSES	15	9	24	20	15	20	20	11	16
SUPPLIES/MATERIALS/PARTS	5	15	2	2	2	2	2	1	1
CAPITAL EQUIPMENT						40			
SUBTOTAL STATE OPERATIONS	252	264	296	286	272	319	287	273	280
TOTAL EXPENDITURES	252	264	296	286	272	319	287	273	280
GOV'S INITIATIVES:									
			FUND						
(A) RESTORE REDUCTIONS			GEN			14			14
(A) SALARY PLANNING ESTIMATES			GEN			<7>			<7>
(P) DATA BASE			GEN			40			
TOTAL GOV'S INITIATIVES						47			7
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	252	264	296	286	272	319	287	273	280
TOTAL FINANCING	252	264	296	286	272	319	287	273	280
POSITIONS BY FUND:									
GENERAL	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL POSITIONS	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: MINN MUNICIPAL BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	296	296	296	296				
TECHNICAL ADJUSTMENTS								
BIENNIAL APPROPRIATIONS	<13>	<13>	<13>	<13>				
DOCUMENTED RENT/LEASE INC/DEC	2	3	2	3				
INSURANCE PREMIUM HOLIDAY	1	1	1	1				
SUBTOTAL TECH. ADJ.	<10>	<9>	<10>	<9>				
CURRENT SPENDING	286	287	286	287				
AGENCY BASE	286	287	286	287				

F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Municipal Board
PROGRAM: Municipal Boundary Creation
ACTIVITY: Municipal Boundary Creation

ITEM TITLE: Local Area Network

	<u>1994-95 Biennium</u>		<u>1996-97 Biennium</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$40	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$40,000 be appropriated to the Municipal Board for a local area network and database to support office automation.

The board annually reviews 200 requests for municipal adjustments, and city and township consolidations and mergers. Staff members coordinate approximately 30 hearings a year, provide board members with information and support necessary to make decisions, and consult with local governments, citizens and developers regarding boundary adjustments. This project will implement a local area network and shared database.

PROGRAM OUTCOMES:

This project will enhance the board's ability to serve municipalities and citizens. Currently, 4 stand-alone personal computers are used for word processing. Required summary reports of boundary adjustments are prepared manually. This process is slow, labor intensive and does not help the staff perform analysis or identify trends. A shared database with report generation capability and networked office automation software will improve productivity.

LONG-TERM IMPACT:

The network/database will streamline the process of getting information out to requested parties tracking file history, ability to share information, and generate specific reports, as well as assisting stakeholders in the boundary adjustment process.

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1994-95 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: MINNESOTA HISTORICAL SOCIETY

PROGRAM

PAGE

PUBLIC PROGRAMS AND OPERATIONS

E-627

History Center
Historic Site Operations

STATEWIDE OUTREACH

E-645

Education
Technical Assistance
State Historic Preservation Office (S.H.P.O.)
Grant-In-Aid
St. Anthony Falls Heritage Interpretive Zone
State Archaeologist

REPAIR AND REPLACEMENT

E-663

PHYSICAL PLANT PROGRAM

E-667

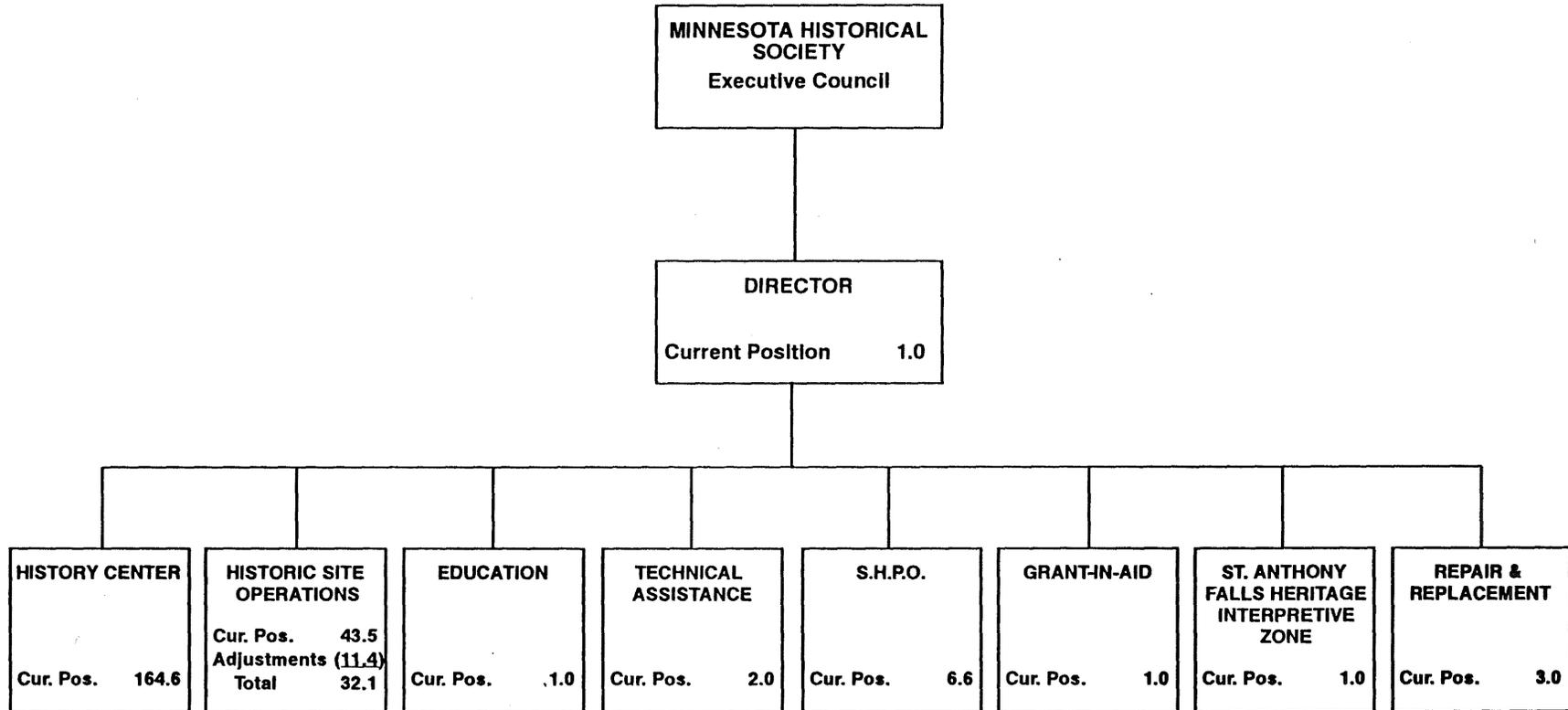
Operations
Debt Service

FISCAL AGENTS

E-673

Sibley House Association
Minnesota International Center
Minnesota Air National Guard Museum
Project 120
Minnesota Military Museum
Greater Cloquet-Moose Lake Forest Fire Center
Museum of the National Guard

Minnesota Historical Society Organization Chart 7/1/92



Minnesota Historical Society

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Budget Complement:		
General Fund	218.8	207.4
Federal	<u>4.9</u>	<u>4.9</u>
Total Positions	<u>223.7</u>	<u>212.3</u>
Employees on 6/30/92	533	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	194
Full-Time Temporary	75
Full-Time Seasonal	3
Part-Time Unlimited	36
Part-Time Temporary	65
Part-Time Seasonal	<u>160</u>
TOTAL	<u>533</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Minnesota Historical Society

Fund: General

1. Summary of Agency Actions:	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$17,945	\$17,903	\$35,848
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$17,945	\$17,903	\$35,848
Inflation Cost Increases	\$384	\$783	\$1,167
Agency Management Decisions:			
Additional Operating Costs	\$731	\$666	\$1,397
Grants to Others	250	250	500
Close Partially-Developed Historic Sites	(527)	(527)	(1,054)
Statewide Outreach Program Reduction	(24)	(24)	(48)
Reduce Exhibit R & R	(42)	(42)	(84)
Physical Plant Reductions	(291)	(291)	(582)
Fiscal Agent Reductions	(13)	(11)	(24)
Shift Compensation Costs to Special Revenue Fund (Split Rock)	(100)	(100)	(200)
Shift Statewide Outreach Reductions to Gift Fund (St. Anthony Falls Revenue)	(15)	(15)	(30)
Salary Savings	(140)	(148)	(288)
Absorb Historic Site Job Reclassifications	(210)	(210)	(420)
Absorb Operating Inflation	(65)	(132)	(197)
Defer History Center Costs	(177)	(177)	(354)
Defer Preservation Grants	(250)	(250)	(500)
Retain Federal Preservation Funds	(50)	(50)	(100)
Shift Legislative Tapes Cost	(65)	(0)	(65)
Shift Compensation and Additional Operating Costs to Gifts and Deposits Fund	<u>(293)</u>	<u>(617)</u>	<u>(910)</u>
Subtotal	<u>\$(1,281)</u>	<u>\$(1,678)</u>	<u>\$(2,959)</u>
TOTAL AGENCY PLAN	\$17,048	\$17,008	\$34,056
Governor's Initiatives			
Restore Agency Reductions to Historic Sites	\$527	\$527	\$1,054
Salary Planning Estimates	<u>(316)</u>	<u>(316)</u>	<u>(632)</u>
Subtotal	\$211	\$211	\$422
GOVERNOR'S RECOMMENDATION	<u>\$17,259</u>	<u>\$17,219</u>	<u>\$34,478</u>

Brief Explanation of Agency's Overall Actions:

The mission of this budget is to achieve the following strategic initiatives: to invest available resources in programs and facilities that are fully developed and available for public use; to strive to provide a balanced statewide program through the History Center, historic sites, grants-in-aid, workshops, and technical assistance to over 500 county and local societies; and, to provide Minnesota Historical Society employees with compensation increases for F.Y. 1994 and 1995. Budget actions include deference of some program costs, closing partially developed historic sites, utilization of increased income to meet planned needs relating to that income, layoff of staff, and transfer of some funding to non-state sources.

2. Impact on Staffing:	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Positions Eliminated, F.T.	11.4	11.4
Positions Eliminated, P.T.	7.6	7.6

3. Impact on Revenue Generation:	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-

There will be no impact on General Fund revenues. There will be a \$200,000 increase to the Special Revenue Fund and a \$940,000 increase to the Gifts and Deposits Fund for the biennium.

4. Affected Statutes:

- Clarify income use. M.S. 16A.72, name MHS as exception in statute which provides exemption from depositing of revenue into the General Fund, and the fee setting provisions of M.S. 16A.128.
- Ability to carry forward first year of biennium appropriation for second year use. Provide exemption from M.S. 16A.28.
- Historic site legislation. Redefine site system now in M.S. 138.
- Early retirement incentives. Include MHS employees in appropriate subdivision of M.S. 43A.02 as amended in 1991.

5. Governor's Recommendation:

The Governor recommends an agency General Fund expenditure level of \$34.5 million for the biennium, which restores \$1.1 million and 11.4 positions to the Historic Site System and recommends salary planning estimate savings. Included in this agency expenditure level is a \$9.6 million biennial increase for debt service and physical plant program expenses at the History Center.

The Governor commends the Minnesota Historical Society for their financial planning efforts which resulted in agency recommendations that achieved a strategic reorganization and faithfully met budget reduction guidelines. In regards to the historic site system however, the Governor believes that the closing of historic sites would represent a major program setback by significantly reducing opportunities for citizens to access our state's history. Therefore, funding is recommended to adequately preserve sites of historic significance and to nurture a full appreciation of the cultural environment and history of Minnesota. This recommendation will also protect the favorable impact of historic sites on the state's tourism economy. Continued funding for the historic site system will ensure that all sites will be able to continue in their present capacity, including the James H. Hill House, Jeffers Petroglyphs, Lower Sioux Agency Site, NW Company Fur Post, Meighen Store and Marine Mill Site.

The Governor acknowledges the process and allocations of the Legislative Commission on Minnesota Resources; Commission recommendations are reflected in agency plans. However, the Governor encourages the Legislature to review allocations of LCMR funds within the context of the overall budget. The Governor has prepared alternative recommendations that build upon the Commission's allocations in areas that coincide with the Governor's environmental priorities. See the LCMR section in the Environment and Natural Resources budget volume for overall comparison of Commission recommendations with the Governor's proposals.

The Governor concurs with the agency's proposed statutory changes.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) GOVERNOR'S LCMR ALTERNATIVE FUNDING	MNR	<333>		<333>			
(A) SALARY PLANNING ESTIMATES	GEN	<316>	<316>	<632>			
(B) RESTORE AGENCY REDUCTION--HISTORICAL SITES	GEN	527	527	1,054			
	G&D				53	65	118
TOTAL BY FUND	GEN	211	211	422			
	MNR	<333>		<333>			
	G&D				53	65	118
TOTAL INVESTMENT INITIATIVES		<122>	211	89	53	65	118

1994-95 Biennial Budget

AGENCY: Minnesota Historical Society

MISSION STATEMENT:

The Minnesota Historical Society (MHS) is the oldest educational institution in the state, having been chartered by the First Legislature of Minnesota Territory in 1849. Its mission is as follows:

It shall be the purpose of the Minnesota Historical Society to nurture among people a knowledge of and appreciation for the history of Minnesota. To realize this objective, the Society shall collect and preserve the materials and records of human culture relating to Minnesota and Minnesotans, serve as an information center on and for the state, and, through research and interpretation, illuminate the human story. It shall counsel and assist organizations, institutions, units of government, and individuals, in identifying, preserving, and interpreting the cultural resources of Minnesota.

Among the official state historical functions accepted by the Society and defined by statute are those of serving as a free public research library, overseeing the preservation of the State Capitol, and administering the state's historic preservation, public records, archaeology, and folklife programs.

For the cultural enrichment of people everywhere, the Society shall make the collections confided to its care accessible, conduct and encourage scholarly research, and, through these efforts, continue to illuminate the Minnesota story.

Through fostering a sense of history among all Minnesotans, the Society enriches the state's cultural environment and enables people everywhere to draw strength and perspective from the past and impart purpose to the future.

In carrying out its mission, the Society brings significant educational and economic benefits to the state. It contributes to the Minnesota quality of life through helping to develop a citizenry with a sense of themselves, of the place in which they live, and of their role in the unfolding of human history. As the Society approaches the 21st century, it intends to strengthen the educational aspects of all programs and to direct its efforts toward larger and more diverse audiences. At the same time that it offers broader public service, it intends to continue its tradition of excellence in serving specific constituencies.

In fulfilling this mission, the highest performance standards are established.

GOVERNANCE

The Minnesota Historical Society is governed by an Executive Council of 30 members. The Executive Council holds in trust for the public the assets of the Minnesota Historical Society

including its collections, funds, historic sites, buildings, and all of its property. As the fiduciary for the public the Council oversees the operations of the institution and ensures that it is well managed and true to its mission. The Council is responsible for establishing major policies and for monitoring the quality of the Society's programs and services. It is the continuing responsibility of the Council to protect the integrity of the Society's corporate character and existence. It also performs duties mandated by the Legislature under Minnesota Statutes Chapter 138 and appropriate session laws.

MAJOR FUNCTIONS

All of the Society's programs/activities fall within the 4 major functions listed in the mission statement. They are:

Collecting and preserving the materials and records of Minnesota's past

Making the collections accessible and serving as an information center on Minnesota History

Illuminating the Minnesota story

Counseling and assisting other organizations, institutions, and units of government

- Grant-In-Aid
- Local and Regional Preservation Assistance
- Field Support/Technical Assistance
- Appraisal, disposal, and retention of government records

With the opening of the History Center in 1992, the Society possesses a superb environment for program delivery to the public. The Society will provide the public with an excellent museum program and greatly improved care of and public access to the collections. The centralization of our operations in the History Center is yielding a work environment that is more conducive to meaningful staff interaction in pursuit of common and individual goals that support the Society's mission in serving the public.

The Society's effective performance in the future will require careful attention to both its human and financial resources. We are committed to building a sense of community among employees and volunteers, providing rewarding work experience for all, maintaining the most careful and responsible stewardship of our funds and collections, and providing high quality services to meet public needs.

MAJOR POLICY DRIVERS:

There are five major drivers of MHS policy:

1. Threats to Minnesota's vital historic resources
2. Demand for public services
3. Services required by state law
4. Need for education in Minnesota history
5. Recognition that history is a vital state economic resource

1994-95 Biennial Budget

AGENCY: Minnesota Historical Society
(Continuation)

SERVICES NETWORK

The Society's mission leads it to work in one way or another with all agencies of the state and local government, but it cooperates extensively with certain ones as follows:

Department of Trade and Economic Development, Office of Tourism, to inform visitors to the state of museums, historic sites, and public programs available to tourists.

Department of Natural Resources, Division of State Parks, to create a meaningful experience for the public in parks where historic sites or buildings are located, to conduct environmental reviews and archaeological study in state parks, and to cooperate in the preservation of a variety of cultural resources. It also cooperates with the Division of Trails and Waterways in conducting archaeological research.

Department of Transportation to preserve cultural resources threatened by highway construction, and participate directly in the Transportation Enhancement Program.

Department of Education to stimulate and strengthen the teaching of state and local history in Minnesota schools through teacher workshops and curriculum materials.

Department of Administration to cooperate in the preservation and classification of public records, and the preservation of state owned historical structures.

Department of Public Safety in protecting the state's historical resources.

The Society also works with the interagency Records Disposition Panel, created by statute.

In the process of reviewing the Society's mission in relation to changing demands and needs, our Executive Council has identified 7 organization-wide goals to receive focused attention in the years ahead. These goals are not all inclusive, but do identify a core group which relate to certain MINNESOTA MILESTONE goals:

1. Broaden the educational role of the Society by directing our efforts toward larger and more diverse audiences, thereby increasing public participation in the Society's programs;
2. Become a more externally directed institution that is sensitive to and knowledgeable about its audiences;
3. Achieve greater inclusiveness in all aspects of the institution by reflecting the pluralism of Minnesotans.
4. Provide for the public a program that fulfills the responsibility and potential offered by the History Center;

5. Work more effectively with and through others to fulfill our mission by developing partnerships with other non-profit organizations, educational institutions, governmental entities, corporations, and especially Minnesota's county and local historical societies;
6. Develop all appropriate sources of support and revenue, and increase the non-state portion of the Society's funding;
7. Strengthen the Society's financial management and human resources functions.

MINNESOTA MILESTONES:

MINNESOTA MILESTONE goals that relate to the mission and services of the Minnesota Historical Society are listed in this section of the agency level narrative. Specific detail which relates Minnesota Milestone goals to performance indicators and outcomes is detailed in the appropriate program narrative section.

APPLICABLE MINNESOTA MILESTONE GOALS

- Minnesotans will excel in basic academic skills.
- We will welcome, respect and value people of all cultures, races and ethnic backgrounds.
- Minnesotans will have opportunities to enjoy the state's natural resources.
- We will improve the quality of the air, water and earth.
- Minnesotans will act to protect and enhance their environment.
- Rural areas, small cities and urban neighborhoods throughout the state will be economically viable places to people to live and work.
- Minnesotans will have the advanced education and training to make the state a leader in the global economy.
- People will participate in government and politics.
- Government in Minnesota will be cost-efficient and services will be designed to meet the needs of the people who use them.
- People with disabilities will have the opportunity to participate in society.

MINNESOTA MILESTONES is used as a framework for developing budget priorities and issues, and, where possible, performance indicators as set forth in the various program and activity narratives, stress the quantitative and quality level of accomplishments.

1994-95 Biennial Budget

AGENCY: Minnesota Historical Society
(Continuation)

CLIMATE

This biennial budget request comes at a time when the Minnesota Historical Society faces the impact of the largest workload, and program growth in its 143-year history. The public use of its existing programs is constantly growing. The Minnesota History Center, initiated in 1985 by a design competition process, is providing an appropriate home for the state's rich historical collections, and, for the first time, a facility which will serve as a state museum. The Research Library portion of the History Center opened in June 1992, and one-third of the History Center's exhibition halls will open to the public in October of 1992. Additional exhibitions will open in the spring and fall of 1993. The state's historic site system, although not fully developed is utilized by over 700,000 individuals annually. The Historic Grant-In-Aid Program, St. Anthony Falls Heritage Zone, and other outreach activities continue to share the cost of the state's history program with a broad statewide constituency.

During the 1990s, inflationary costs continued to erode budgets, as did lack of funding to fully finance the state pay plan. These budgetary pressures have now reached a crisis level.

Past budget reductions have seriously eroded the funding base of our historic sites system. Some sites which were open for public use in 1982, were subsequently closed due to budget constraints. These sites remain closed today. The agency management challenges follow.

AGENCY MANAGEMENT CHALLENGES

1. **Compensation Costs.** The Society is a labor-intensive public service organization. Salaries represent slightly over 71% of the Society's budget, and as a matter of policy the Society does not curtail public services by allowing positions to remain vacant. Base level funding will not allow the Society to provide salary adjustments unless efforts continue to prioritize our mission. No pay plan was provided for Society employees in the 1992/93 biennium. It is essential that one be implemented in 1994/95. The cost of a pay plan is as follows:

	Dollars in Thousands	
	F.Y. 1994	F.Y. 1995
Public Programs & Operations	\$ 307.0	\$626.0
Statewide Outreach	9.0	19.0
Repair & Replacement	3.0	6.0
Physical Plant Program	0.0	0.0
Fiscal Agents	<u>0.0</u>	<u>0.0</u>
Total	\$319.0	\$651.0

2. **Operating Inflation.** Inflation during the 1994-95 biennium will erode the Society's state funds operating budget by \$65,000 in F.Y. 1994 and \$132,000 in F.Y. 1995.

3. **5% Base Reduction.** The reductions required to meet the 95% base requirement for fiscal years 1994 and 1995 are shown below:

	Dollars in Thousands	
	F.Y. 1994	F.Y. 1995
Public Programs & Operations	(\$ 527.2)	(\$ 527.2)
Statewide Outreach	(24.0)	(24.0)
Repair & Replacement	(41.8)	(41.8)
Physical Plant Program	(291.0)	(291.0)
Fiscal Agents	<u>(13.0)</u>	<u>(11.0)</u>
Total	(\$897.0)	(\$895.0)

4. **History Center.** The 1994-95 biennium will be the first biennium of full operation for the new History Center. This magnificent building embodies a long-term commitment on the part of the state and the Society to preserving the state's historic heritage and to making that heritage available to the public on a quality level that has hitherto been impossible. It means stepping to a more efficient level of reference service, fully automated and consolidating in one place access by researchers to all of the Society's collections. It means creating quality museum exhibits. It means providing gallery demonstrators, guides, teachers, and lecturers on special topics to bring history to life for the public. It also means managing large public areas and services, including an auditorium/theater, food service, and gift shops offering publications and other items to enhance visitors' understanding and enjoyment of Minnesota's history. Additional needs for the 1994-95 biennium are:

	F.Y. 1994	F.Y. 1995
A. Research Center Costs	\$213,784	\$213,785
B. Museum Collections Costs	85,164	85,164
C. Museum Gallery Staff Costs	92,000	92,000

Although there will be some minor savings resulting from centralization and greater storage space, these will not offset the costs in serving greater numbers of people than the Society has ever served in its 143-year history. It is of critical importance that we operate the History Center in a manner that will efficiently serve the public.

5. **Legislative Tapes.** Legislative tapes in the collections of the Society are in serious need of conservation and repair. The one-time cost of this repair is \$65,000.

6. **Split Rock Plan.** As part of the 1992/93 biennial budget process, the Society initiated reallocation decisions to meet needs of certain activities.

1992/93 Plan - PROPOSED

These needs were to be financed by increased admission fees at existing developed historic sites and from initiating admission fees at Split Rock Historic Site which is now fully developed. (Prior to 1991 no admission charges occurred at Split Rock.)

- Fee Income increase from existing sites	\$125,000
- Split Rock Historic Site fees	<u>300,000</u>
Total New Annual Revenue	\$425,000/yr.

1994-95 Biennial Budget

AGENCY: Minnesota Historical Society
(Continuation)

This new level of annual revenue (\$425,000 per year) was to be used to finance the following activities during the 1992/93 biennium.

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
General Support Activity	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0
Library/Archives Activity	140.5	144.5	144.5	144.5
Historic Sites Activity	<u>234.5</u>	<u>230.5</u>	<u>230.5</u>	<u>230.5</u>
	\$425.0	\$425.0	\$425.0	\$425.0

The Governor supported the Society's plan to charge admission fees at Split Rock, but the Department of Natural Resources (D.N.R.) opposed it during the final days of the 1991 Session. The following impact on revenue has resulted from failure to implement this plan.

1992/93 Plan - FINAL OUTCOME

<u>Annual</u>	<u>MHS Proposed</u>	<u>1991 Governor's Recommendation</u>	<u>Final/ Actual</u>
Income from existing sites	\$125,000	\$125,000	\$ 60,000
Split Rock Historic Site fees	<u>300,000</u>	<u>300,000</u>	<u>134,000</u>
Total New Revenue	\$425,000	\$425,000	\$194,000

The revenue loss resulted in leaving certain needs of the Library/Archives and Historic Sites activities unfunded for the 1992/93 biennium.

In the 1992 Session the Governor and the Society again supported this plan; again, D.N.R. opposed it. A modification of the Society's plan was implemented on July 15, 1992, but a serious erosion of resources had already occurred. The Governor and Society's plan which involved charging the same historic admission fee schedule used at Historic Fort Snelling, Lindbergh Historic Site, Forest History Center, etc., and not adding on the additional cost of a state park permit when the public did not desire to use the park facilities represents good public policy, and it should be put in place permanently.

7. **Historic Sites.** \$210,000 is the estimated cost of funding the results of a job classification study of guide staff at historic sites. The cost is to fund the increased cost of site tour guides as a result of the increase in hourly rates which will occur due to this job study which reclassified such positions upward in job range.

8. **Statewide Outreach Program.**

Reduce this program's General Fund appropriation by \$24,000 in F.Y. 1994 and \$24,000 in F.Y. 1995. The General Fund reduction amount will be partially offset by Special Revenue Funds resulting from St. Anthony Falls Heritage Zone tours.

Dollars in Thousands

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
General Fund Statewide Outreach Program reduction	(\$24,000)	(\$24,000)
Special Revenue Funds from tours	<u>15,000</u>	<u>15,000</u>
Total impact on Statewide Outreach Program	(\$9,000)	(\$9,000)

9. **Historic Preservation Grants.** County and local historical organizations have preservation projects totalling over \$300,000 per year and are in need of matching state funds. \$50,000 is appropriated annually for this purpose leaving a shortfall of \$250,000 per year.

10. **Federal Funds Match.** The Department of Interior may increase its allocation to Minnesota for historic preservation purposes. Such funds require a 100% state match. The federal government's allocation could increase \$100,000 for the biennium, which would require an additional \$50,000 per year to meet this need.

AGENCY BUDGET PLAN

In developing a plan designed to meet the Governor's reduction guidelines and achieve strategic reorganization, the Society has no alternative but to significantly modify certain activities. Reductions including the 5% base allocation and funding for a pay plan will total approximately \$2.8 million for the 1994/95 biennium. The negative impacts of absorbing both a 5% base level reduction and a pay plan with compensation increases are significant. To access such resources the Society would propose closing certain historic sites as part of its reduction plan, plus a combination of other adjustments and decisions relating to its programs. The outcomes of this action are discussed in this agency level document and in various program narratives.

A description of the various agency management decisions is as follows:

1. **Close certain historic sites.**
The state's historic site system was established in 1965 by the legislature. No new sites have been added to that system since 1978. There are 32 sites in the system of which 12 are developed, 8 are partially developed, and 12 are undeveloped (see Exhibit 1 of this section). The emphasis has been on developing and interpreting for public use a core of quality sites. With tourism now one of the state's largest businesses, historic sites are being recognized as a major asset to the state's economy. In a recent survey in California by the National Trust for Historic Preservation, 4 out of every 10 visitors used or visited historic sites in that state. Similar studies in the Midwest have indicated the same demand and use of historical resources. The closing of partially developed sites is a major program setback.

Dollars in Thousands

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Reduction amount	(\$527,248)	(\$527,248)

1994-95 Biennial Budget

AGENCY: Minnesota Historical Society
(Continuation)

Closures Considered	Reduction Amounts	Retained Costs	
		Fixed	Staff
A. Partially Developed Sites - (Would be closed to public tours)			
1. James J. Hill House	(\$224,070)	\$30,310	\$40,000
2. Jeffers Petroglyphs	(34,450)	150	-
3. Lower Sioux Agency Site	(77,174)	6,600	40,000
4. NW Company Fur Post	(50,917)	700	-
5. Meighen Store	(90,262)	4,000	16,500
6. Marine Mill Site	(375)	-	-
7. General Support (historic sites)	(50,000)	N/A	N/A
Annual Totals - General Fund	(\$527,248)	\$41,760	\$96,500

B. Sites Considered for Transfer/Sale to Others

The following sites may be candidates for sale or transfer. At this time they do not impact this budget plan.

1. Burbank Livingston Griggs House
2. Bourassa Fur Post
3. Minnehaha Depot

2. Operating inflationary costs of \$197,000 for the biennium will be absorbed within the framework of each division's budgets. MHS division managers have been instructed of this policy.
3. Statewide Outreach Program

Reduce this program's General Fund appropriation by \$24,000 in F.Y. 1994 and \$24,000 in F.Y. 1995. The General Fund reduction amount will be partially offset by Special Revenue Funds resulting from St. Anthony Falls Heritage Zone tours.

	Dollars in Thousands	
	F.Y. 1994	F.Y. 1995
General Fund Statewide Outreach Program reduction	(\$24,000)	(\$24,000)
Special Revenue Funds from tours	15,000	15,000
Total impact on Statewide Outreach Program	(\$9,000)	(\$9,000)

4. Physical Plant Program

Reduce Physical Plant general fund program expenses by \$291,000 in F.Y. 1994 and 1995. The Society would propose offsetting this reduction by adjustment of building cleaning standards which the Society, by statute, establishes, and which determines final costs.

5. Reduce Exhibit Portion R & R Funds

	Dollars in Thousands	
	F.Y. 1994	F.Y. 1995
Reduces R & R general fund appropriation from \$462,000 to \$420,250 annually, affecting exhibits by \$41,750 each fiscal year	(\$41,750)	(\$41,750)

Reduces R & R general fund appropriation from \$462,000 to \$420,250 annually, affecting exhibits by \$41,750 each fiscal year

6. Fee Income Utilization

These funds do not represent new fees, but income growth from increased public use or participation.

Activity Fees and Income

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
History Center				
Parking - net	0	75.0	100.0	100.0
Special exhibits - net	0	0	0	0
Workshops/user fees - net	5.0	20.0	100.0	100.0
Restaurant - net	0	10.0	50.0	50.0
Museum shops - net	0	25.0	50.0	50.0
Copying - net	10.0	15.0	20.0	20.0
Membership income growth - net	0	50.0	135.0	135.0
Total	\$15.0	\$195.0	\$455.0	\$455.0

Since the initial planning of the History Center, these funds were intended to support the Society's programs and activities.

7. Private Fund Raising Goals

With the Society's Capital Campaign to raise \$14.0 million for the History Center coming to a close at year-end, the Society will begin the process of redirecting its fund raising efforts to other areas. This effort will involve a feasibility analysis to determine the types of needs for which non-state funds can be raised, and estimate fund amounts which may be anticipated. This item does not impact the current budget plan.

8. Legislative Tapes. Legislative tapes are in serious need of repair and restoration. MHS will consult with the legislature on cost sharing assistance. The biennial cost is \$65,000.

9. Split Rock Plan. MHS will request the Governor and Finance Department to again support the Governor's recommendation of 1991 and 1992 related to Split Rock Historic Site fees and public use of state resources. Implementation of this recommendation will provide additional Special Revenue Funds totalling \$100,000 in F.Y. 1994 and \$100,000 in F.Y. 1995.

1994-95 Biennial Budget

AGENCY: Minnesota Historical Society
(Continuation)

10. Defer and Hold.

A. Museum Collections. \$85,000 per year in added funds to document photographically and catalog items in the museum collections was requested by Museum Division management. Additional costs will be deferred for the 1994/95 biennium.

B. Research Center. \$92,000 per year in clerical costs and additional items such as conservation outreach and acquisition funds will be deferred or placed on hold.

Total A & B = \$177.0/year

C. Historic Preservation Grants. Projects in need of grant assistance total in excess of \$250,000 annually at this time. Although this program has reduced the overall cost of historic preservation in Minnesota funding needs will have to be deferred and are not included in this budget plan.

11. Historic Site Job Reclassifications. The job study was a reclassification study done by Hay and Associates on historic site guide pay rates. The results of that study raised such rates significantly. Actual costs will be absorbed by the affected historic site operation.

12. Additional Historic Site Repair. A major backlog of historic site repair needs has developed over the past 4 years. Specific detail is available on the required needs which are estimated at over \$200,000 per year. These needs are in addition to current funding for such repairs. The Society will seek these added needs as a part of the Capital Budget process in 1993. This item does not impact this budget plan.

13. Retain Federal Preservation Funds. It appears that the Department of Interior will increase its allocation of historic preservation funds to Minnesota by \$50,000 annually. This requires a like match from the state. The current allocation is \$567,756 for F.Y. 1993. The Society will contact local units of government to see if matching funds may be available.

14. Fiscal Agent Reduction. Fiscal agent base reductions as a whole have been handled the same as the Minnesota Historical Society. Each fiscal agent's "base" is reduced to 95% as part of this reduction plan. This amounts to \$13,000 for F.Y. 1994 and \$11,000 for F.Y. 1995.

	F.Y. 1992 Appropriation	F.Y. 1993 Appropriation	F.Y. 1994 5% Base Reduction	Proposed F.Y. 1994 Base	F.Y. 1995 5% Base Reduction	Proposed F.Y. 1995 Base
Sibley House Association	\$93,000	\$93,000	(\$5,000)	\$88,000	(\$5,000)	\$88,000
MN International Center	51,000	50,000	(3,000)	48,000	(3,000)	47,000
MN Air National Guard	20,000	0	(1,000)	19,000	0	0
Project 120	69,000	69,000	(3,000)	66,000	(3,000)	66,000
MN Military Museum	30,000	0	(1,000)	29,000	0	0
	\$263,000	\$212,000	(\$13,000)	\$250,000	(\$11,000)	\$201,000

GOVERNOR'S RECOMMENDATION:

The Governor recommends an agency funding level of \$44.5 million for the biennium, which restores \$1.1 million and 11.4 positions to the Historic Site System and recommends salary planning estimate savings. Included in this agency expenditure level is a \$9.6 million biennial increase for debt service and physical plant program expenses at the History Center

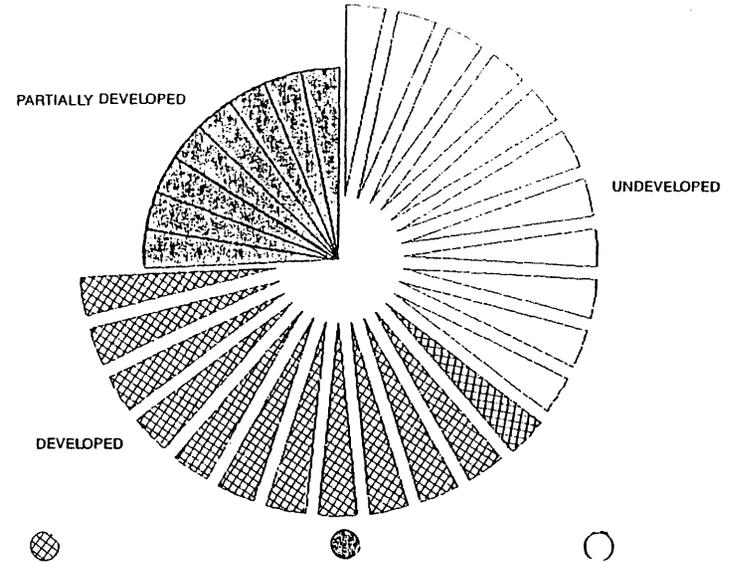
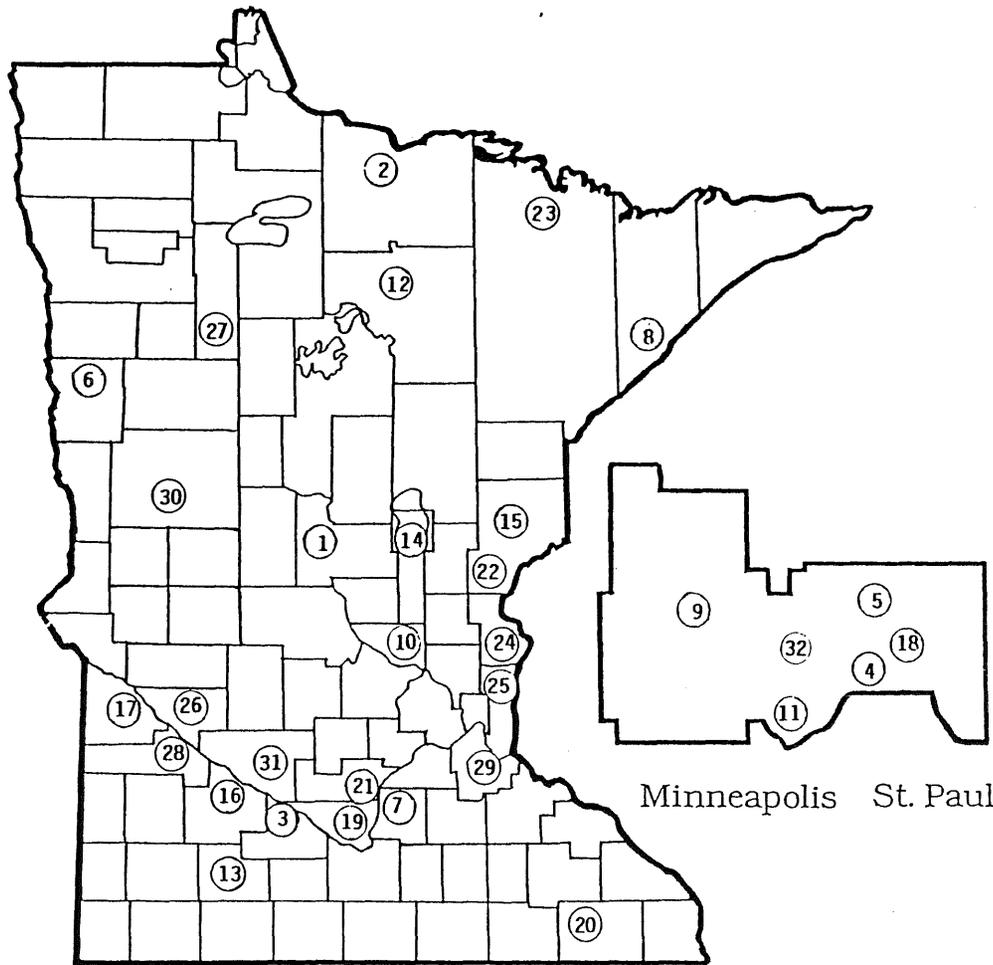
The Governor commends the Minnesota Historical Society for their financial planning efforts which resulted in agency recommendations that achieved a strategic reorganization and faithfully met budget reduction guidelines. In regards to the Historic Site System however, the Governor believes that the closing of historic sites would represent a major program setback by significantly reducing opportunities for citizens to access our state's history. Therefore, funding is recommended to adequately preserve sites of historic significance and to nurture a full appreciation of the cultural environment and history of Minnesota. This recommendation will also protect the favorable impact of historic sites on the state's tourism economy. Continued funding for the historic site system will ensure that all sites will be able to continue in their present capacity, including the James H. Hill House, Jeffers Petroglyphs, Lower Sioux Agency Site, NW Company Fur Post, Meighen Store and Marine Mill Site.

The Governor acknowledges the process and allocations of the Legislative Commission on Minnesota Resources; Commission recommendations are reflected in agency plans. However, the Governor encourages the Legislature to review allocations of LCMR funds within the context of the overall budget. The Governor has prepared alternative recommendations that build upon the Commission's allocations in areas that coincide with the Governor's environmental priorities. See the LCMR section in the Environment and Natural Resources budget volume for overall comparison of Commission recommendations with the Governor's proposals.

The Governor concurs with the agency's proposed statutory changes.

AGENCY: Minnesota Historical Society
(Continuation)

Exhibit 1



12 - DEVELOPED

1. Lindbergh House & Interpretive Center
2. Grand Mound & Interpretive Center
3. Fort Ridgely & Interpretive Center
4. Alexander Ramsey House
5. Minnesota State Capitol
6. Comstock House
7. W.W. Mayo House
8. Split Rock Lighthouse
9. Minnehaha Depot
10. Oliver H. Kelley Farm
11. Historic Fort Snelling
12. Forest History Center

8 - PARTIALLY DEVELOPED

13. Jeffers Petroglyphs
14. Mille Lacs Indian Museum
15. North West Company Fur Post
16. Lower Sioux Agency & Interpretive Center
17. Lac qui Parle Mission
18. James J. Hill House
19. Harkin-Massopust Store
20. Mcighen Store

12 - UNDEVELOPED

21. Travers Des Sioux
22. Stunne Mounds
23. Bourassa Fur Post
24. WHC Folsom House
25. Marine Mill Site
26. Fort Renville
27. Itasca Headwaters Area
28. Upper Sioux Agency
29. LeDuc House
30. Morrison Mounds
31. Birch Coulee Battlefield
32. Livingston Griggs House

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY

PROGRAM RESOURCE ALLOCATION:	FY 1991			FY 1992			Est. FY 1993			FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.						
PUBLIC PROGRAMS/OPERATIONS	14,392	14,432	15,037	14,749	14,771	14,825	14,749	14,914	15,136						
STATEWIDE OUTREACH	1,373	1,079	1,180	1,082	1,247	1,074	1,082	1,092	1,084						
REPAIR AND REPLACEMENT	464	483	512	496	457	454	496	460	457						
PHYSICAL PLANT PROGRAM	674	702	556	5,815	5,524	5,524	5,824	5,533	5,533						
FISCAL AGENTS	200	288	232	263	250	250	212	201	201						
TOTAL EXPENDITURES BY PROGRAM	17,103	16,984	17,517	22,405	22,249	22,127	22,363	22,200	22,411						
SOURCES OF FINANCING:															
DIRECT APPROPRIATIONS:															
GENERAL	12,494	12,390	12,762	17,945	17,048	17,259	17,903	17,008	17,219						
MN RESOURCES	487	215	295		333										
STATUTORY APPROPRIATIONS:															
SPECIAL REVENUE	146	309	400	400	500	500	400	500	500						
FEDERAL	882	653	643	643	643	643	643	643	643						
GIFTS AND DEPOSITS	3,094	3,417	3,417	3,417	3,725	3,725	3,417	4,049	4,049						
TOTAL FINANCING	17,103	16,984	17,517	22,405	22,249	22,127	22,363	22,200	22,411						
POSITIONS BY FUND:															
GENERAL	211.9	214.1	218.8	218.8	207.4	218.8	218.8	207.4	218.8						
FEDERAL	5.2	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9						
TOTAL POSITIONS	217.1	219.1	223.7	223.7	212.3	223.7	223.7	212.3	223.7						

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: HISTORICAL SOCIETY

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	17,517	17,517	12,762	12,762	4,112	4,112	643	643
TECHNICAL ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<20>	<20>	<20>	<20>				
BIENNIAL APPROPRIATIONS	1	<50>	1	<50>				
DOCUMENTED RENT/LEASE INC/DEC	5,110	5,119	5,110	5,119				
LCMR-FUNDED PROJECTS	<295>	<295>			<295>	<295>		
INSURANCE PREMIUM HOLIDAY	38	38	38	38				
PLANT MANAGEMENT REBATES	149	149	149	149				
1992 SESSION REDUCTIONS	<95>	<95>	<95>	<95>				
SUBTOTAL TECH. ADJ.	4,888	4,846	5,183	5,141	<295>	<295>		
CURRENT SPENDING	22,405	22,363	17,945	17,903	3,817	3,817	643	643
AGENCY BASE	22,405	22,363	17,945	17,903	3,817	3,817	643	643

PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society

PROGRAM PURPOSE:

Like the mission of the Minnesota Historical Society (MHS), the purpose of this program is to foster knowledge and appreciation of the history of Minnesota by collecting and preserving the records of the State's past, by making those resources available to researchers, and by illuminating the Minnesota story for the general public. It accomplishes this purpose through two activities within this program. The History Center and Historic Sites.

PROSPECTS:

History Center Activity

1. **Research Center.** Collects, organizes, preserves and makes accessible the written, visual, and oral materials relating to Minnesota's past. This includes state archives which carries out the responsibility, imposed by state law, for evaluating the historical importance of all Minnesota's governmental records and arranging for their permanent preservation or disposal. Current laws mandate a constant input of public records into state archives. Such records are increasingly more complex and vary in their form. This area of activity has constant growth.
2. **Museum.** Collects, organizes, preserves, and makes available the 3-dimensional objects that document the State's material culture, including archaeological remains. It has the additional responsibility of developing exhibits in all MHS historic sites and museum galleries and enhancing public appreciation and enjoyment of these displays through conducting school lessons, lectures, and a variety of public programs.
3. **Exhibits—History Center.** Relates to the museum, shoulders responsibility for planning, creating, installing, and managing exhibits that will comprise a major museum of Minnesota history in the new History Center.
4. **Publications and Research.** Researches and, under the imprint of the Minnesota Historical Society Press, publishes and markets books, a magazine, art reproductions, tapes, records, and maps that illuminate the story of Minnesota's history for scholars and the general public.

Historic Sites Activity

1. **Historic Sites.** Involves developing and managing 32 sites that have been entrusted to the Society's care by the State of Minnesota. Its responsibilities include preservation, restoration, maintenance, and the development of public visitor centers and interpretive programs.

OUTCOMES:

The Minnesota Historical Society is considered the premier institution of its type in the nation. It serves well over 1.2 million individuals annually from all walks of life - almost as much as the Science Museum of Minnesota and the Minnesota Zoo combined. The Society as an educational institution through its library, archives, historic sites, publication, and research activities, serves Minnesotans in many educational capacities, making it the largest educational institution in the state.

Activity statistics are maintained to identify key productivity units for management and control purposes. Those activities and their performance indices are shown as follows:

Minnesota History Center Activity

F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

RESEARCH CENTER

Acquisitions and Curatorial:

Library books and other items acquired	2,261	2,000	2,100	2,150
Photographs acquired	1,738	1,800	1,850	1,900
Film, videotape, and sound recordings acquired	200	250	275	300
Works of Art acquired	57	40	50	60
Maps and other items acquired	255	275	300	315
Manuscripts acquired (cubic feet)	659.29	720	750	800

Conservation:

Microfilm rolls produced:

Camera Masters	2,818	1,500	1,500	1,500
Silver Duplicate Masters	3,371	4,000	4,000	4,000
Vesicular Positives	7,195	5,000	5,000	5,000

Photographic Lab:

4x5 Negatives produced	2,804	3,300	3,500	3,500
B&W Prints produced	12,209	10,500	10,500	10,500
Color transparencies produced	467	400	400	400
Slides	2,027	2,000	2,000	2,000

Library Materials Treated:

In-house	1,830	900	1,000	1,000
Out-of-house	103	50	100	100

Manuscripts and documents treated:

Minor treatments	2,071	1,000	1,000	1,000
Major treatments	46	50	50	50

Objects Conservation Lab:

Minor treatments	215	200	200	200
Major treatments	109	100	100	100

Textile Conservation Lab:

Minor treatments	152	200	200	200
Major treatments	112	125	125	125

Processing:

Published materials cataloged	6,192	7,500	8,000	8,000
Photographs/artwork cataloged	5,352	4,500	3,500	3,500
Manuscripts processed (cubic feet)	1,851	1,200	1,000	1,000
Manuscripts cataloged (collections)	114	2,215	1,500	250
State Archives processed (cubic feet)	1,848	2,000	2,000	2,000

1994-95 Biennial Budget

PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society
 (Continuation)

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Research Center Cont.				
Reference:				
In-person patrons served	25,090	30,108	36,130	40,000
Phone and correspondence inquiries	25,749	28,025	30,827	33,000
Collections used by public	126,708	157,708	197,135	230,000
Interlibrary loans	6,344	8,500	9,500	11,000
Photocopies made	208,605	250,000	275,000	300,000
State Archives:				
Records acquired (cubic feet)	1,090	1,500	1,500	1,500
Records destroyed (cubic feet)	22,457	20,000	20,000	20,000
Number of field visits	159	160	160	160
Central Registrar:				
Artifacts loaned from MHS collections	1,629	3,345	5,000	5,000
MUSEUM	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Students attending museum lessons	0	18,000	20,000	20,000
Adult group tours		13,500	15,500	15,500
Community education classes		570	1,000	1,000
Public programs - events	0	3,840	12,200	12,200
Public programs - family events		9,400	18,500	18,500
Gallery visitors	0	250,000	300,000	350,000
Catalogs and flyers distributed		15,000	15,000	15,000
Roots magazine subscriptions	600	600	600	600
Roots magazine distribution	23,500	25,000	27,000	27,000
Student information packet distributed	5,000	5,000	5,000	5,000
Volunteer hours	220	1,000	1,500	1,500
Intern hours	1,285	1,500	1,500	1,500
Film and video rental:				
Number of titles circulating	79	79	79	79
Rentals	517	600	650	650
Audience (estimate)	15,510	18,000	19,500	19,500
History Day Program:				
Students participating	5,250	6,000	6,000	6,000
Teachers participating	100	150	150	150
Workshops offered:				
for students	10	20	20	20
for teachers	19	30	30	30

F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

Workshop participation:				
students	575	600	600	600
teachers	280	300	300	300
volunteer hours	110,770	770	770	770
History artifacts acquired	2,154	3,000	3,500	4,000
Percentage of historic artifact acquisitions	5.5%	5.5%	5.5%	5.5%
Archaeological artifacts acquired	55,500	25,500	25,500	25,500
Historic artifacts photodocumented	2406	4,800	4,800	2,500
Historic artifacts catalogued	913	600	600	1,000
In-person, phone & correspondence artifact reference inquiries	1,404	1,750	2,250	2,500
Historic artifacts used in exhibits & public/staff research	2,897	3,750	4,150	4,750
Percentage of Museum Collection in inventory database to this date	95%	97%	99%	99%

EXHIBITS-HISTORY CENTER F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

Exhibits - square feet	0	21,500	28,500	32,500
Audience - History Center	0	250,000	300,000	350,000
Exhibit Types				
Long Term (5 year min)	0	5	7	8
Short Term (6 mo-2 years)	0	2	3	3
Special exhibits (admission fee charged)	0	0	0	0
Community Advisory Boards	4	8	9	9
Collections items on exhibit	0	1,500	1,800	2,100

PUBLICATIONS AND RESEARCH DIVISION F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

New titles published by MHS Press	7	14	12	11
Backlist titles reprinted by Press	11	14	18	13
State history curriculum set in schools	30,598	34,100	36,600	38,350
Minnesota History subscriptions	615	700	725	750
Copies of Minnesota History distributed	33,500	34,300	47,600	57,800
Research/writing grants awarded	15	20	12	12
Manuscripts submitted by grant recipients	8	8	7	7

Dollars in Thousands

ACTIVITY FEES AND INCOME F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

Net Parking	\$ 0	\$ 75.0	\$ 100.0	\$ 100.0
Special Exhibits	0	0	0	0
Workshops/User Fees	5.0	20.0	100.0	100.0
Restaurant-Net	0	10.0	50.0	60.0
Gift Shops-Net	0	25.0	50.0	50.0
Copying	10.0	15.0	20.0	20.0
Membership Income Growth	0	50.0	135.0	135.0

Income and fees are budgeted for program use purposes.

1994-95 Biennial Budget

PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society
 (Continuation)

HISTORIC SITES ACTIVITY	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Number of sites	32	32	29	29
Sites managed by Minnesota Historical Society	26	26	23	23
Sites managed by others	6	6	6	6
Sites requiring development	20	20	20	20
Total site attendance	582,570	606,161	478,000	525,000
Admission Fees*	\$474.0	\$596.8	\$497.1	\$515.2

*Admission fees are used for program purposes.

MINNESOTA MILESTONES:

The complete list of Minnesota milestone goals that relate to the mission and services of the Minnesota Historical Society are listed in the Agency level narrative. Applicable Minnesota milestone goals from that list relating to this program are as follows.

GOALS

- Minnesotans will excel in basic academic skills.

Museums

- Students attending museum lessons at the History Center.
- Student groups visiting interpretive exhibits at the History Center.
- Students participating in History Day Program.
- Development of youth employment program.

Exhibits

- Students experiencing traveling, historic site and History Center exhibits.

Publications and Research

- Students studying state history curriculum, and other Society publications.

Historic Sites	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Number of Groups:	2,235	2,347	2,287	2,401
Attendance:	77,526	81,402	79,092	83,046

- We will welcome, respect and value people of all cultures, races and ethnic backgrounds.

Research Center

- The inclusiveness of the Society's program speaks to this goal of valuing all people.
- Microfilming all of the newspapers published in Minnesota (3,000 rolls for 1994/95) documents and reflects the entire spectrum of the state's diverse population.
- All areas of materials acquired by the Society for its collections reflect increased levels of documentation of African-American, Hispanic, American Indian, and Asian communities throughout Minnesota.
- The Society's collections document all aspects of Minnesota life, not just the elite and famous. Many items relate to the origins of the geographic, religious and ethnic

communities that make up Minnesota.

- The Research Center, open free by legislative charter to all members of the public, is not restricted to scholars. It is used by people from all walks of life.

Museums

- The Society acquires artifacts that document minority communities.
- People from minority communities participate in History Day.
- Exhibits showcase or illuminate diverse experiences in Minnesota.
- Exhibits and programs are accessible to Minnesotans with disabilities and meet ADA standards.

Exhibits

- Exhibits help you discover your own history and gain an appreciation for the history of others.

Publications and Research

- MHS publishes works by members of diverse communities about all Minnesota's people. The Society makes research grants to help members of diverse communities who do research on their own history.

Historic Sites	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Attendance at sites	582,570	606,161	478,000	525,000
Special events at sites	116	110	100	100

- Minnesotans will have opportunities to enjoy the state's natural resources.

Research Center

- In the first month of operation the Research Center in the History Center has attracted 40% more public use than our previous research facilities; expected use in 1994/95 is estimated to increase by 30-40%. These people are using over 436,000 books, manuscripts, records, prints, sound and visual, and artifactual materials.
- Among the expected 40,000 people who visit the Research Center are families researching their ancestors. Acquiring knowledge about one's roots contributes to the strengthening of the family bond.
- The majority of the 17,500 photographic images produced by the photo lab fulfill requests from the public and other organizations.
- The 4,000 books, manuscripts, and documents treated in the Society's lab make it possible for more people to use them.
- The 600 historical objects and textiles treated in the Society's labs make more items available for exhibit by the Society and by county and local historical societies.
- Participation in a statewide library network allows access to information about the Society's collection in 154 Minnesota communities.

Museums

- The History Center provides a major museum program for the public.
- 350,000 people will visit the History Center galleries annually.
- People will attend MHS public programs in the History Center and in historic sites.

Exhibits

- Access to exhibits in the History Center (21,500 sq. ft. in F.Y. 1993, 32,500 sq. ft. in F.Y. 1995) 350,000 people annually by F.Y. 1995.
- Access to traveling exhibits that support programs established in existing cultural, educational and recreational facilities throughout the state (30 exhibits, 140 borrowers, 280,000 viewers in 35 counties in F.Y. 1992).
- Interpretive exhibits at historic sites (12 interpretive exhibits in F.Y. 1993).

Publications and Research

- Research grants and publications.

1994-95 Biennial Budget

PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society
 (Continuation)

Historic Sites	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Attendance at sites	582,570	606,161	478,000	525,000
State Markers	406	435	462	476
State Monuments	30	30	30	30

- We will improve the quality of the air, water and earth.
Research Center
 - Among the Research Center's collections are over 250,000 photographs and 37,000 maps. These are frequently used for environmental impact research, site selection work, and tourism promotions, providing data needed in research to enhance air, water, and land quality.
 - Manuscripts and film/sound recordings include major collections relating to conservation and preservation of Minnesota's natural environment.
- Minnesotans will act to protect and enhance their environment.
Historic Sites
 - Preserving historic sites.
- Rural areas, small cities and urban neighborhoods throughout the state will be economically viable places for people to live and work.
Historic Sites
 - 12 historic sites are located in rural areas. These sites are magnets for tourists and stimulate significant economic activity for the areas in which they are located. At a modest estimate of \$5.00 per historic site visitor, the Society's sites provide approximately \$2.5 million annually to the state and its economy.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Attendance	269,823	283,000	205,000	252,000
- Minnesotans will have the advanced education and training to make the state a leader in the global economy.
Research Center
 - Collections are available to all Minnesotans through loan of originals and microfilm, thus enhancing the possibilities for lifelong learning in all parts of the state.
 - In F.Y. 1995 the Research Center will provide 11,000 loans through participation in interlibrary loans.
 - In F.Y. 1995 we expect to respond with information to over 33,000 correspondence inquiries, in addition to the 40,000 people who will visit the Research center. Our copy center expects to provide over 300,000 photocopies of collections materials. All of these relate to lifelong learning.**Museums**
 - Exhibits designed to allow visitors to develop skills to understand history.
 - Produce and distribute "Roots" magazine for all people interest in Minnesota history.

- Adult group tours.
- Community education classes.
- Continuing education for teachers.
- Traveling exhibits on a wide range of topics.
- Public programs for adult audiences.

Exhibits

- The History Center exhibits are designed to allow visitors to develop skills in regard to discovering history and how to use these skills outside the exhibits.

Publications and Research

- Publish *Minnesota History* quarterly for people to learn about Minnesota's past.
- Publish books (approx. 284 currently in print) to help people learn about Minnesota's past.
- Make small grants to non-traditional researchers.

Historic Sites	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Attendance at sites	582,570	606,161	478,000	525,000
Attendance at workshops	480	550	550	575

- People will participate in government and politics.

Research Center

- Among the collections serviced by the Research Center are over 37,000 boxes of local and state government records and over 300 cases of legislative tapes. Preserving and making accessible documents, which date back to the beginning of government in Minnesota provide people with the necessary background for making informed decisions about current and future civic issues.
- The Society is among the nation's leaders in the preservation of materials relating to public affairs. These collections range from the personal papers of Hubert Humphrey and Harold Stassen to the records of the State Democratic and Independent Republican committees.

Publications and Research

- Books and articles show how individuals have changed history.

Historic Sites	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
State Capitol tours	144,377	145,000	145,000	145,000

- Government in Minnesota will be cost-efficient and services will be designed to meet the needs of the people who use them.

Research Center

- Timely disposal of records saves storage and personnel costs. In 1994/95 the State Archives will acquire 3,000 cubic feet of records and destroy 40,000 cubic feet of non-significant material.
- Accessibility of collections through state and national data bases and Central Reference in the History Center.

Museums

- Team process to develop exhibitions at History Center, historic sites, and traveling exhibits.
- Museum collections in accessible storage facility enabling increased usage of collections.

Exhibits

- Consolidation of research, development, design, production and maintenance of all exhibits: History Center, historic sites and traveling.

Historic Sites	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
County & Local Societies	500	500	525	530
Environmental reviews	2,939	3,300	3,500	4,000
Technical assistance	674	780	850	950

1994-95 Biennial Budget

PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society
 (Continuation)

■ People with disabilities will have the opportunity to participate in society.

Research Center

In the first month of operation the Research Center in the History Center has attracted 40% more public use than our previous research facilities; expected use in 1994/95 is estimated to increase by 30-40%. These people are using over 436,000 books, manuscripts, records, prints, sound and visual, and artifactual materials.

- Among the expected 40,000 people who visit the Research Center are families researching their ancestors. Acquiring knowledge about one's roots contributes to the strengthening of the family bond.
- The majority of the 17,500 photographic images produced by the photo lab fulfill requests from the public and other organizations.
- The 4,000 books, manuscripts, and documents treated in the Society's lab make it possible for more people to use them.
- The 600 historical objects and textiles treated in the Society's labs make more items available for exhibit by the Society and by county and local historical societies.
- Participation in a statewide library network allows access to information about the Society's collection in 154 Minnesota communities.

Museums

- The History Center provides a major museum program for the public.
- 350,000 people will visit the History Center galleries annually.
- People will attend MHS public programs in the History Center and in historic sites.

Exhibits

- Access to exhibits in the History Center (21,500 sq. ft. in F.Y. 1993, 32,500 sq. ft in F.Y. 1995) 350,000 people annually by F.Y. 1995.
- Access to traveling exhibits that support programs established in existing cultural, educational and recreational facilities throughout the state (30 exhibits, 140 borrowers, 280,000 viewers in 35 counties in F.Y. 1992).
- Interpretive exhibits at historic sites (12 interpretive exhibits in F.Y. 1993).

Publications and Research

- Research grants and publications.

Historic Sites	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Attendance at sites	582,570	606,161	478,000	525,000
State Markers	406	435	462	476
State Monuments	30	30	30	30

PROGRAM BUDGET PLAN:

The Agency Management Decisions that have been made to meet the budget development guidelines are as follows.

- Close certain historic sites.

The state's historic site system was established in 1965 by the legislature. No new sites have

been added to that system since 1978. We have 32 sites in the system of which 12 are developed, 8 are partially developed, and 12 are undeveloped. (See Exhibit 1 of Agency narrative). The emphasis has been on developing and interpreting for public use a core of quality sites. With tourism now one of the state's largest businesses, historic sites are being recognized as a major asset to the state's economy. In a recent survey in California by the National Trust for Historic Preservation, 4 out of every 10 visitors used or visited historic sites in that state. Similar studies in the Midwest have indicated the same demand and use of historical resources. The closing of partially developed sites is a major program setback.

	Dollars in Thousands	
	F.Y. 1994	F.Y. 1995
Reduction amount	(\$527,248)	(\$527,248)

Closures Considered	Reduction Amounts	Retained Costs	
		Fixed	Staff
A. Partially Developed Sites - (Would be closed to public tours)			
1. James J. Hill House	(\$224,070)	\$30,310	\$ 40,000
2. Jeffers Petroglyphs	(34,450)	150	-
3. Lower Sioux Agency Site	(77,174)	6,600	40,000
4. NW Company Fur Post	(50,917)	700	-
5. Meighen Store	(90,262)	4,000	16,500
6. Marine Mill Site	(375)	-	-
7. General Support (Historic Sites)	(50,000)	N/A	N/A
Annual Totals - General Fund	\$527,248	\$41,760	\$ 96,500

B. Sites Considered for Transfer/Sale to Others

The following sites may be candidates for sale or transfer. At this time they do not impact this budget plan.

1. Burbank Livingston Griggs House
2. Bourassa Fur Post
3. Minnehaha Depot

- Operating inflationary costs of \$145,000 for the biennium in this program will be absorbed within the framework of each division's budgets. MHS division managers have been instructed of this policy.

	Dollars in Thousands	
	F.Y. 1994	F.Y. 1995
■ Fee Income Utilization		
Increased income	\$455,000	\$455,000

These funds do not represent new fees, but income growth from increased public use or participation.

1994-95 Biennial Budget

PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society
 (Continuation)

Activity Fees and Income:

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
History Center:				
Parking - net	0	75.0	100.0	100.0
Special exhibits - net	0	0	0	0
Workshops/user fees - net	5.0	20.0	100.0	100.0
Restaurant - net	0	10.0	50.0	50.0
Museum shops - net	0	25.0	50.0	50.0
Copying - net	10.0	15.0	20.0	20.0
Membership income growth - net	<u>0</u>	<u>50.0</u>	<u>135.0</u>	<u>135.0</u>
Total	\$15.0	\$195.0	\$455.0	\$455.0
Income Utilization:			F.Y. 1994	F.Y. 1995
■ History Center needs				
Research Center costs - Funds part of need			122.0	122.0
Museum Gallery costs - Funds part of need			92.0	92.0
■ Compensation plan			<u>241.0</u>	<u>241.0</u>
			\$455.0	\$455.0

Since the initial planning of the History Center, these funds were intended to support the Society's programs and activities.

■ Private Fund Raising Goals

With the Society's Capital Campaign to raise \$14.0 million for the History Center coming to a close at year-end, the Society will begin the process of redirecting its fund raising efforts to other areas. This effort will involve a feasibility analysis to determine the types of needs for which non-state funds can be raised, and estimate fund amounts which may be anticipated. This item does not impact the current budget plan.

- Legislative Tapes. Legislative tapes are in serious need of repair and restoration. MHS will consult with the legislature on cost sharing assistance. Biennial cost is \$65,000.
- Split Rock Plan. MHS will request the Governor and Finance Department to again support the Governor's recommendation of 1991 and 1992 related to Split Rock Historic Site fees and public use of state resources. Implementation of this recommendation will provide additional Special Revenue Funds totalling \$100,000 in F.Y. 1994 and \$100,000 in F.Y. 1995.
- Research Center. \$92,000 per year in clerical costs and additional items such as conservation outreach and acquisition funds will be deferred or placed on hold.

- Museum Collections. \$85,000 per year in added funds to document photographically and catalog items in the museum collections was requested by museum division management. Additional costs will be deferred for the 1994/95 biennium.
- Historic Site Job Reclassifications. The job study was a reclassification study done by Hay and Associates on historic site guide pay rates. The results of that study raised such rates significantly. Actual cost will be absorbed by the affected historic site operation.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a program funding level for the biennium which restores \$1.1 million and 11.4 positions to this program and recommends salary planning estimate savings.

The Governor commends the Minnesota Historical Society for their financial planning efforts which resulted in agency recommendations that achieved a strategic reorganization and faithfully met budget reduction guidelines. In regards to the Historic Site System however, the Governor believes that the closing of historic would represent a major program setback by significantly reducing opportunities for citizens to access our state's history. Therefore, funding is recommended in this program to adequately preserve sites of historic significance and to nurture a full appreciation of the cultural environment and history of Minnesota. This recommendation will also protect the favorable impact of historic sites on the state's tourism economy. Continued funding for the historic site system will ensure that all sites will be able to continue in their present capacity, including the James H. Hill House, Jeffers Petroglyphs, Lower Sioux Agency Site, NW Company Fur Post, Meighen Store and Marine Mill Site.

The Governor acknowledges the process and allocations of the Legislative Commission on Minnesota Resources; Commission recommendations are reflected in agency plans. However, the Governor encourages the Legislature to review allocations of LCMR funds within the context of the overall budget. The Governor has prepared alternative recommendations that build upon the Commission's allocations in areas that coincide with the Governor's environmental priorities. See the LCMR section in the Environment and Natural Resources budget volume for overall comparison of Commission recommendations with the Governor's proposals.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: PUBLIC PROGRAMS/OPERATIONS

ACTIVITY RESOURCE ALLOCATION:	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
HISTORY CENTER	10,143	9,729	10,091	10,032	10,442	10,095	10,032	10,579	10,332
HISTORIC SITE OPERATIONS	4,249	4,703	4,946	4,717	4,329	4,730	4,717	4,335	4,804
TOTAL EXPENDITURES BY ACTIVITY	14,392	14,432	15,037	14,749	14,771	14,825	14,749	14,914	15,136
GOV'S INITIATIVES:			FUND						
(A) GOVERNOR'S LCMR ALTERNATIVE FUNDING			MNR	<168>					
(A) SALARY PLANNING ESTIMATES			GEN	<305>					
(B) RESTORE AGENCY REDUCTION--HISTORICAL SITES			GEN	527					
TOTAL GOV'S INITIATIVES				54					
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	10,579	10,535	10,966	10,933	10,406	10,628	10,933	10,406	10,628
MN RESOURCES	325	175	255	168					
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	146	309	400	400	500	500	400	500	500
FEDERAL	375	146	149	149	149	149	149	149	149
GIFTS AND DEPOSITS	2,967	3,267	3,267	3,267	3,548	3,548	3,267	3,859	3,859
TOTAL FINANCING	14,392	14,432	15,037	14,749	14,771	14,825	14,749	14,914	15,136
POSITIONS BY FUND:									
GENERAL	202.7	205.1	209.0	209.0	197.6	209.0	209.0	197.6	209.0
FEDERAL	.1	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL POSITIONS	202.8	205.2	209.1	209.1	197.7	209.1	209.1	197.7	209.1

1994-95 Biennial Budget

BUDGET ACTIVITY: History Center
PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society

F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

ACTIVITY DESCRIPTION:

The purpose of this activity is as follows:

1. **Research Center.** Collects, organizes, preserves and makes accessible the written, visual, and oral materials relating to Minnesota's past. This includes state archives which carries out the responsibility, imposed by state law, for evaluating the historical importance of all Minnesota's governmental records and arranging for their permanent preservation or disposal. Current laws mandate a constant input of public records into state archives. Such records are increasingly more complex and vary in their form. This area of activity has constant growth.
2. **Museum.** Collects, organizes, preserves, and makes available the 3-dimensional objects that document the State's material culture, including archaeological remains. It has the additional responsibility of developing exhibits in all MHS historic sites and museum galleries and enhancing public appreciation and enjoyment of these displays through conducting school lessons, lectures, and a variety of public programs.
3. **Exhibits--History Center.** Relates to the museum, shoulders responsibility for planning, creating, installing, and managing exhibits that will comprise a major museum of Minnesota history in the new History Center.
4. **Publications and Research.** Researches and, under the imprint of the Minnesota Historical Society Press, publishes and markets books, a magazine, art reproductions, tapes, records, and maps that illuminate the story of Minnesota's history for scholars and the general public.

OUTCOMES:

Activity statistics are maintained to identify key productivity units for management and control purposes. Those activities and their performance indices are shown as follows:

F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

RESEARCH CENTER

Acquisitions and Curatorial:

Library books and other items acquired	2,261	2,000	2,100	2,150
Photographs acquired	1,738	1,800	1,850	1,900
Film, videotape, and sound recordings acquired	200	250	275	300
Works of Art acquired	57	40	50	60
Maps and other items acquired	255	275	300	315
Manuscripts acquired (cubic feet)	659.29	720	750	800

Conservation:

Microfilm rolls produced:

Camera Masters	2,818	1,500	1,500	1,500
Silver Duplicate Masters	3,371	4,000	4,000	4,000
Vesicular Positives	7,195	5,000	5,000	5,000

Photographic Lab:

4x5 Negatives produced	2,804	3,300	3,500	3,500
B&W Prints produced	12,209	10,500	10,500	10,500
Color transparencies produced	467	400	400	400
Slides	2,027	2,000	2,000	2,000

Library Materials Treated:

In-house	1,830	900	1,000	1,000
Out-of-house	103	50	100	100

Manuscripts and documents treated:

Minor treatments	2,071	1,000	1,000	1,000
Major treatments	46	50	50	50

Objects Conservation Lab:

Minor treatments	215	200	200	200
Major treatments	109	100	100	100

Textile Conservation Lab:

Minor treatments	152	200	200	200
Major treatments	112	125	125	125

Processing:

Published materials cataloged	6,192	7,500	8,000	8,000
Photographs/artwork cataloged	5,352	4,500	3,500	3,500
Manuscripts processed (cubic feet)	1,851	1,200	1,000	1,000
Manuscripts cataloged (collections)	114	2,215	1,500	250
State Archives processed (cubic feet)	1,848	2,000	2,000	2,000

Reference:

In-person patrons served	25,090	30,108	36,130	40,000
Phone and correspondence inquiries	25,749	28,025	30,827	33,000
Collections used by public	126,708	157,708	197,135	230,000
Interlibrary loans	6,344	8,500	9,500	11,000
Photocopies made	208,605	250,000	275,000	300,000

State Archives:

Records acquired (cubic feet)	1,090	1,500	1,500	1,500
Records destroyed (cubic feet)	22,457	20,000	20,000	20,000
Number of field visits	159	160	160	160

Central Registrar:

Artifacts loaned from MHS collections	1,629	3,345	5,000	5,000
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1994-95 Biennial Budget

BUDGET ACTIVITY: History Center
PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society
(Continuation)

MUSEUM	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Students attending museum lessons	0	18,000	20,000	20,000
Adult group tours		13,500	15,500	15,500
Community education classes		570	1,000	1,000
Public programs - events	0	3,840	12,200	12,200
Public programs - family events		9,400	18,500	18,500
Gallery visitors	0	250,000	300,000	350,000
Catalogs and flyers distributed		15,000	15,000	15,000
Roots magazine subscriptions	600	600	600	600
Roots magazine distribution	23,500	25,000	27,000	27,000
Student information packet distributed	5,000	5,000	5,000	5,000
Volunteer hours	220	1,000	1,500	1,500
Intern hours	1,285	1,500	1,500	1,500
Film and video rental:				
Number of titles circulating	79	79	79	79
Rentals	517	600	650	650
Audience (estimate)	15,510	18,000	19,500	19,500
History Day Program:				
Students participating	5,250	6,000	6,000	6,000
Teachers participating	100	150	150	150
Workshops offered:				
for students	10	20	20	20
for teachers	19	30	30	30
Workshop participation:				
students	575	600	600	600
teachers	280	300	300	300
volunteer hours	110,770	770	770	770
History artifacts acquired	2,154	3,000	3,500	4,000
Percentage of historic artifact acquisitions	5.5%	5.5%	5.5%	5.5%
Archaeological artifacts acquired	55,500	25,500	25,500	25,500
Historic artifacts photodocumented	2406	4,800	4,800	2,500
Historic artifacts catalogued	913	600	600	1,000
In-person, phone & correspondence artifact reference inquiries	1,404	1,750	2,250	2,500
Historic artifacts used in exhibits & public/staff research	2,897	3,750	4,150	4,750
Percentage of Museum Collection in inventory database to this date	95%	97%	99%	99%

EXHIBITS-HISTORY CENTER

	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Exhibits - square feet	0	21,500	28,500	32,500
Audience - History Center	0	250,000	300,000	350,000
Exhibit Types				
Long Term (5 year min)	0	5	7	8
Short Term (6 mo-2 years)	0	2	3	3
Special exhibits (admission fee charged)	0	0	0	0
Community Advisory Boards	4	8	9	9
Collections items on exhibit	0	1,500	1,800	2,100

PUBLICATIONS AND RESEARCH DIVISION

	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
New titles published by MHS Press	7	14	12	11
Backlist titles reprinted by Press	11	14	18	13
State history curriculum set in schools	30,598	34,100	36,600	38,350
Minnesota History subscriptions	615	700	725	750
Copies of Minnesota History distributed	33,500	34,300	47,600	57,800
Research/writing grants awarded	15	20	12	12
Manuscripts submitted by grant recipients	8	8	7	7

Dollars in Thousands

ACTIVITY FEES AND INCOME

	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Net Parking	\$ 0	\$ 75.0	\$ 100.0	\$ 125.0
Special Exhibits	0	0	0	0
Workshops/User Fees	5.0	100.0	100.0	100.0
Restaurant-Net	0	10.0	50.0	60.0
Gift Shops-Net	0	25.0	50.0	50.0
Copying	10.0	15.0	20.0	20.0
Membership Income Growth	0	135.0	135.0	135.0

Income and fees are budgeted for program use purposes.

MINNESOTA MILESTONES:

The complete list of Minnesota milestone goals that relate to the mission and services of the Minnesota Historical Society are listed in the Agency level narrative. From that list applicable Minnesota milestone goals relating to this program are as follows:

- Minnesotans will excel in basic academic skills.
 - Museums
 - Students attending museum lessons at the History Center.
 - Student groups visiting interpretive exhibits at the History Center.
 - Students participating in History Day Program.
 - Development of youth employment program.

1994-95 Biennial Budget

BUDGET ACTIVITY: History Center
PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society
(Continuation)

Exhibits

- Students experiencing traveling, historic site and History Center exhibits.

Publications and Research

- Students studying state history curriculum, and other Society publications.

- We will welcome, respect and value people of all cultures, races and ethnic backgrounds.

Research Center

- The inclusiveness of the Society's program speaks to this goal of valuing all people.
- Microfilming all of the newspapers published in Minnesota (3,000 rolls for 1994/95) documents and reflects the entire spectrum of the state's diverse population.
- All areas of materials acquired by the Society for its collections reflect increased levels of documentation of African-American, Hispanic, American Indian, and Asian communities throughout Minnesota.
- The Society's collections document all aspects of Minnesota life, not just the elite and famous. Many items relate to the origins of the geographic, religious and ethnic communities that make up Minnesota.
- The Research Center, open free by legislative charter to all members of the public, is not restricted to scholars. It is used by people from all walks of life.

Museums

- The Society acquires artifacts that document minority communities.
- People from minority communities participate in History Day.
- Exhibits showcase or illuminate diverse experiences in Minnesota.
- Exhibits and programs are accessible to Minnesotans with disabilities and meet ADA standards.

Exhibits

- Exhibits help you discover your own history and gain an appreciation for the history of others.

Publications and Research

- MHS publishes works by members of diverse communities about all Minnesota's people. The Society makes research grants to help members of diverse communities who do research on their own history.

- Minnesotans will have opportunities to enjoy the state's natural resources.

Research Center

- In the first month of operation the Research Center in the History Center has attracted 40% more public use than our previous research facilities; expected use in 1994/95 is estimated to increase by 30-40%. These people are using over 436,000 books, manuscripts, records, prints, sound and visual, and artifactual materials.
- Among the expected 40,000 people who visit the Research Center are families researching their ancestors. Acquiring knowledge about one's roots contributes to the strengthening of the family bond.
- The majority of the 17,500 photographic images produced by the photo lab fulfill requests

from the public and other organizations.

- The 4,000 books, manuscripts, and documents treated in the Society's lab make it possible for more people to use them.
- The 600 historical objects and textiles treated in the Society's labs make more items available for exhibit by the Society and by county and local historical societies.
- Participation in a statewide library network allows access to information about the Society's collection in 154 Minnesota communities.

Museums

- The History Center provides a major museum program for the public. 350,000 people will visit the History Center galleries annually.
- People will attend MHS public programs in the History Center and in historic sites.

Exhibits

- Access to exhibits in the History Center (21,500 sq. ft. in F.Y. 1993, 32,500 sq. ft. in F.Y. 1995) 350,000 people annually by F.Y. 1995.
- Access to traveling exhibits that support programs established in existing cultural, educational and recreational facilities throughout the state (30 exhibits, 140 borrowers, 280,000 viewers in 35 counties in F.Y. 1992).
- Interpretive exhibits at historic sites (12 interpretive exhibits in F.Y. 1993).

Publications and Research

- Research grants and publications.

- We will improve the quality of the air, water and earth.

Research Center

- Among the Research Center's collections are over 250,000 photographs and 37,000 maps. These are frequently used for environmental impact research, site selection work, and tourism promotions, providing data needed in research to enhance air, water, and land quality.
- Manuscripts and film/sound recordings include major collections relating to conservation and preservation of Minnesota's natural environment.

- Minnesotans will have the advanced education and training to make the state a leader in the global economy.

Research Center

- Collections are available to all Minnesotans through loan of originals and microfilm, thus enhancing the possibilities for lifelong learning in all parts of the state.
- In F.Y. 1995 the Research Center will provide 11,000 loans through participation in interlibrary loans.
- In F.Y. 1995 we expect to respond with information to over 33,000 correspondence inquiries, in addition to the 40,000 people who will visit the Research center. Our copy center expects to provide over 300,000 photocopies of collections materials. All of these relate to lifelong learning.

Museums

- Exhibits designed to allow visitors to develop skills to understand history.
- Produce and distribute "Roots" magazine for all people interest in Minnesota history.
- Adult group tours.
- Community education classes.
- Continuing education for teachers.
- Traveling exhibits on a wide range of topics.
- Public programs for adult audiences.

1994-95 Biennial Budget

BUDGET ACTIVITY: History Center
PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society
 (Continuation)

Exhibits

- The History Center exhibits are designed to allow visitors to develop skills in regard to discovering history and how to use these skills outside the exhibits.

Publications and Research

- Publish *Minnesota History* quarterly for people to learn about Minnesota's past.
- Publish books (approx. 284 currently in print) to help people learn about Minnesota's past.
- Make small grants to non-traditional researchers.

- People will participate in government and politics.

Research Center

- Among the collections serviced by the Research Center are over 37,000 boxes of local and state government records and over 300 cases of legislative tapes. Preserving and making accessible documents, which date back to the beginning of government in Minnesota provide people with the necessary background for making informed decisions about current and future civic issues.
- The Society is among the nation's leaders in the preservation of materials relating to public affairs. These collections range from the personal papers of Hubert Humphrey and Harold Stassen to the records of the State Democratic and Independent Republican committees.

Publications and Research

- Books and articles show how individuals have changed history.

- Government in Minnesota will be cost-efficient and services will be designed to meet the needs of the people who use them.

Research Center

- Timely disposal of records saves storage and personnel costs. In 1994/95 the State Archives will acquire 3,000 cubic feet of records and destroy 40,000 cubic feet of non-significant material.
- Accessibility of collections through state and national data bases and Central Reference in the History Center.

Museums

- Team process to develop exhibitions at History Center, historic sites, and traveling exhibits.
- Museum collections in accessible storage facility enabling increased usage of collections.

Exhibits

- Consolidation of research, development, design, production and maintenance of all exhibits: History Center, historic sites and traveling.

- People with disabilities will have the opportunity to participate in society.

Research Center

- In the first month of operation the Research Center in the History Center has attracted 40% more public use than our previous research facilities; expected use in 1994/95 is estimated to increase by 30-40%. These people are using over 436,000 books, manuscripts, records,

prints, sound and visual, and artifactual materials.

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Publications and Research

- Research grants and publications.

ACTIVITY BUDGET PLAN:

The Agency Management decisions that have been made to meet the budget development guidelines are as follows:

- Operating inflationary costs of \$85,000 for the biennium in this activity will be absorbed within the framework of each division's budgets. MHS division managers have been instructed of this policy.

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Fee Income Utilization		
Increased income	\$455,000	\$455,000

These funds do not represent new fees, but income growth from increased public use or participation.

Activity Fees and Income:

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
History Center:				
Parking - net	0	75.0	100.0	100.0
Special exhibits - net	0	0	0	0
Workshops/user fees - net	5.0	20.0	100.0	100.0
Restaurant - net	0	10.0	50.0	50.0

1994-95 Biennial Budget

BUDGET ACTIVITY: History Center
PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society
 (Continuation)

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Museum shops - net	0	25.0	50.0	50.0
Copying - net	10.0	15.0	20.0	20.0
Membership income growth - net	<u>0</u>	<u>50.0</u>	<u>135.0</u>	<u>135.0</u>
Total	\$15.0	\$195.0	\$455.0	\$455.0

Income Utilization:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
History Center needs		
Research Center costs - Funds part of need	122.0	122.0
Museum Gallery costs - Funds part of need	92.0	92.0
Compensation plan	<u>241.0</u>	<u>241.0</u>
	\$455.0	\$455.0

Since the initial planning of the History Center, these funds were intended to support the Society's programs and activities.

■ **Private Fund Raising Goals**

With the Society's Capital Campaign to raise \$14.0 million for the History Center coming to a close at year-end, the Society will begin the process of redirecting its fund raising efforts to other areas. This effort will involve a feasibility analysis to determine the types of needs for which non-state funds can be raised, and estimate fund amounts which may be anticipated. This item does not impact the current budget plan.

- **Legislative Tapes.** Legislative tapes are in serious need of repair and restoration. MHS will consult with the legislature on cost sharing assistance. Biennial cost is \$65,000.

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- **Museum Collections.** \$85,000 per year in added funds to document photographically and catalog items in the museum collections was requested by museum division management. Additional costs will be deferred for the 1994/95 biennium.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: PUBLIC PROGRAMS/OPERATIONS
ACTIVITY: HISTORY CENTER

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	7,154	7,349	7,714	7,735	8,014	7,676	7,735	8,160	7,913
EXPENSES/CONTRACTUAL SRVCS	1,685	1,379	1,338	1,284	1,411	1,406	1,284	1,406	1,406
MISC OPERATING EXPENSES	416	439	423	413	415	413	413	413	413
SUPPLIES/MATERIALS/PARTS	476	356	384	374	376	374	374	374	374
CAPITAL EQUIPMENT	299	163	173	170	170	170	170	170	170
OTHER	63	1	1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	10,093	9,687	10,033	9,977	10,387	10,040	9,977	10,524	10,277
AIDS TO INDIVIDUALS	50	42	58	55	55	55	55	55	55
TOTAL EXPENDITURES	10,143	9,729	10,091	10,032	10,442	10,095	10,032	10,579	10,332
GOV'S INITIATIVES:									
			FUND						
(A) GOVERNOR'S LCMR ALTERNATIVE FUNDING			MNR			<100>			
(A) SALARY PLANNING ESTIMATES			GEN			<247>			<247>
TOTAL GOV'S INITIATIVES						<347>			<247>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	7,868	7,748	8,197	8,183	8,183	7,936	8,183	8,183	7,936
MN RESOURCES	248	135	45		100				
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE					29	29			
FEDERAL	375	146	149	149	149	149	149	149	149
GIFTS AND DEPOSITS	1,652	1,700	1,700	1,700	1,981	1,981	1,700	2,247	2,247
TOTAL FINANCING	10,143	9,729	10,091	10,032	10,442	10,095	10,032	10,579	10,332

1994-1995 BIENNIAL BUDGET.
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: PUBLIC PROGRAMS/OPERATIONS
ACTIVITY: HISTORY CENTER

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
POSITIONS BY FUND:									
GENERAL	165.5	165.5	165.5	165.5	165.5	165.5	165.5	165.5	165.5
FEDERAL	.1	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL POSITIONS	165.6	165.6	165.6	165.6	165.6	165.6	165.6	165.6	165.6

1994-95 Biennial Budget

BUDGET ACTIVITY: Historic Site Operations
PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

The purpose of this activity is as follows.

Historic Sites. Involves developing and managing 32 sites that have been entrusted to the Society's care by the State of Minnesota. Its responsibilities include preservation, restoration, maintenance, and the development of public visitor centers and interpretive programs.

OUTCOMES:

Activity statistics are maintained to identify key productivity units for management and control purposes. Those activities and their performance indices are shown as follows:

HISTORIC SITES ACTIVITY	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Number of sites	32	32	29	29
Sites managed by Minnesota Historical Society	26	26	23	23
Sites managed by others	6	6	6	6
Sites requiring development	20	20	20	20
Sites open to public	22	22	16	16
Total site attendance	582,570	606,161	478,000	525,000
Admission Fees*	\$474.0	\$596.8	\$497.1	\$515.2

*Admission fees are used for program purposes.

MINNESOTA MILESTONES:

Historic Sites	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Attendance at sites	582,570	606,161	478,000	525,000

The fall-off in attendance for F.Y. 1994 and F.Y. 1995 is due to the closing of partially developed historic sites to public use. This is as a result of the proposed reduction plan.

The complete list of Minnesota milestone goals that relate to the mission and services of the Minnesota Historical Society are listed in the Agency level narrative. Applicable Minnesota milestone goals from that list relating to this program are as follows below. Specific program result indices/outcomes follow under each related goal.

GOALS

- Minnesotans will excel in basic academic skills.

Historic Sites	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Number of Groups	2,235	2,347	2,287	2,401
Attendance	77,526	81,402	79,092	83,046

- We will welcome, respect and value people of all cultures, races and ethnic backgrounds.

Historic Sites	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Attendance at sites	582,570	606,161	478,000	525,000
Special events at sites	116	110	100	100

- Minnesotans will have opportunities to enjoy the state's natural resources.

Historic Sites	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Attendance at sites	582,570	606,161	478,000	525,000
State Markers	406	435	462	476
State Monuments	30	30	30	30

- Minnesotans will act to protect and enhance their environment.

Historic Sites

- Preserving historic sites.

- Rural areas, small cities and urban neighborhoods throughout the state will be economically viable places for people to live and work.

Historic Sites

- 12 historic sites are located in rural areas. These sites are magnets for tourists and stimulate significant economic activity for the areas in which they are located. At a modest estimate of \$5.00 per historic site visitor, the Society's sites provide approximately \$2.5 million annually to the state and its economy.

	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Attendance	269,823	283,000	205,000	252,000

- Minnesotans will have the advanced educational training to make the state a leader in the global economy.

Historic Sites	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Attendance at sites	582,570	606,161	478,000	525,000
Attendance at workshops	480	550	550	575

- People will participate in government and politics.

Historic Sites	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
State Capitol tours	144,377	145,000	145,000	145,000

- People with disabilities will have the opportunity to participate in society.

Historic Sites	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Attendance at sites	582,570	606,161	478,000	525,000
State Markers	406	435	462	476
State Monuments	30	30	30	30

ACTIVITY BUDGET PLAN:

The Agency Management decisions that have been made to meet the budget development guidelines are as follows:

- Close certain historic sites.

The state's historic site system was established in 1965 by the legislature. No new sites have been added to that system since 1978. We have 32 sites in the system of which 12 are developed, 8 are partially developed, and 12 are undeveloped. (See Exhibit 1 of the agency narrative). The emphasis has been on developing and interpreting for public use a core of quality sites. With tourism now one of the state's largest businesses, historic sites are being recognized as a major asset to the state's economy. In a recent survey in California by the National Trust for Historic Preservation, 4 out of every 10 visitors used or visited historic sites

1994-95 Biennial Budget

BUDGET ACTIVITY: Historic Site Operations
PROGRAM: Public Programs and Operation
AGENCY: Minnesota Historical Society
 (Continuation)

in that state. Similar studies in the Midwest have indicated the same demand and use of historical resources. The closing of partially developed sites is a major program setback.

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Reduction amount	(\$527,248)	(\$527,248)
	<u>Reduction</u>	<u>Retained Costs</u>
<u>Closures Considered</u>	<u>Amounts</u>	<u>Fixed</u> <u>Staff</u>
A. <u>Partially Developed Sites</u> -(Would be closed to public tours)		
1. James J. Hill House	(\$224,070)	\$30,310 \$40,000
2. Jeffers Petroglyphs	(34,450)	150 -
3. Lower Sioux Agency Site	(77,174)	6,600 40,000
4. NW Company Fur Post	(50,917)	700 -
5. Meighen Store	(90,262)	4,000 16,500
6. Marine Mill Site	(375)	- -
7. General Support (Historic Sites)	(50,000)	N/A N/A
Annual Totals - General Fund	\$527,248	\$41,760 \$96,500

B. Sites Considered for Transfer/Sale to Others

The following sites may be candidates for sale or transfer. At this time they do not impact this budget plan.

1. Burbank Livingston Griggs House
2. Bourassa Fur Post
3. Minnehaha Depot

- Operating inflationary costs of \$60,000 for the biennium in this activity will be absorbed within the framework of each division's budgets. MHS division managers have been instructed of this policy.
- Split Rock Plan. MHS will request the Governor and Finance Department to again support the Governor's recommendation of 1991 and 1992 related to Split Rock Historic Site fees and public use of state resources. Implementation of this recommendation will provide additional Special Revenue Funds totalling \$100,000 in F.Y. 1994 and \$100,000 in F.Y. 1995.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: PUBLIC PROGRAMS/OPERATIONS
ACTIVITY: HISTORIC SITE OPERATIONS

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,226	3,656	3,700	3,652	3,317	3,665	3,652	3,342	3,739
EXPENSES/CONTRACTUAL SRVCS	411	421	570	423	395	423	423	386	423
MISC OPERATING EXPENSES	336	354	370	355	345	355	355	336	355
SUPPLIES/MATERIALS/PARTS	190	220	200	191	176	191	191	175	191
CAPITAL EQUIPMENT	42	51	84	84	84	84	84	84	84
OTHER	44	1	22	12	12	12	12	12	12
SUBTOTAL STATE OPERATIONS	4,249	4,703	4,946	4,717	4,329	4,730	4,717	4,335	4,804
TOTAL EXPENDITURES	4,249	4,703	4,946	4,717	4,329	4,730	4,717	4,335	4,804
GOV'S INITIATIVES:									
									FUND
(A) GOVERNOR'S LCMR ALTERNATIVE FUNDING						<68>			
(A) SALARY PLANNING ESTIMATES						<58>			<58>
(B) RESTORE AGENCY REDUCTION--HISTORICAL SITES						527			527
TOTAL GOV'S INITIATIVES						401			469
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,711	2,787	2,769	2,750	2,223	2,692	2,750	2,223	2,692
MN RESOURCES	77	40	210		68				
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	146	309	400	400	471	471	400	500	500
GIFTS AND DEPOSITS	1,315	1,567	1,567	1,567	1,567	1,567	1,567	1,612	1,612
TOTAL FINANCING	4,249	4,703	4,946	4,717	4,329	4,730	4,717	4,335	4,804

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
 PROGRAM: PUBLIC PROGRAMS/OPERATIONS
 ACTIVITY: HISTORIC SITE OPERATIONS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
POSITIONS BY FUND:									
GENERAL	37.2	39.6	43.5	43.5	32.1	43.5	43.5	32.1	43.5
TOTAL POSITIONS	37.2	39.6	43.5	43.5	32.1	43.5	43.5	32.1	43.5

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1994-95 Biennial Budget

PROGRAM: Statewide Outreach Program
AGENCY: Minnesota Historical Society

PROGRAM PURPOSE:

This program exists for the purpose of assisting other state organizations, community groups, and governmental units in the work of historical preservation, interpretation, and education. Its activities include:

PROSPECTS:

- 1. EDUCATION.** This activity assists school districts and their teachers to improve the teaching of state and local history in Minnesota. Cooperating with institutions of higher education, the statewide network of Educational Cooperative Service Units, the State Department of education, and individual school districts, it offers curriculum materials, workshops, courses, and in-service training sessions directed to that purpose.
- 2. TECHNICAL ASSISTANCE.** Through technical services, consultation, advice, and a statewide newsletter, this activity supports some 500 county, local, and special interest historical societies throughout the state.
- 3. STATE HISTORIC PRESERVATION OFFICE.** The purpose of this activity is to administer the National Historic Preservation Act for Minnesota and to maintain the National and State Registers of Historic Places and inventory of over 50,000 historic and archaeological resources in the state.
- 4. GRANT-IN-AID.** The Society administers a state-funded grant-in-aid program supporting projects in the preservation and interpretation of Minnesota history, and it also makes special grants for certain larger projects directed toward the same purpose.
- 5. ST. ANTHONY FALLS HERITAGE INTERPRETIVE ZONE.** This activity provides for developing public interpretation and for preserving historic resources in the part of the Minneapolis riverfront that encompasses the Falls of St. Anthony and the historic milling district. It was created by *Laws of Minnesota, 1988*, ch. 684, sections 8-14.
- 6. STATE ARCHAEOLOGIST.** This activity provides funding for the State Archaeologist.

OUTCOMES:

The activities of the Minnesota Historical Society (MHS) within this program are illustrated by the following statistics:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
<u>Education</u>				
Northern Lights curriculum:	92	93	94	95
School districts using	448	540	650	
Workshops offered	5	5	5	

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
<u>Education con't</u>				
Teacher attendance	105	125	150	
<u>Other courses and workshops:</u>				
Continuing education courses for teachers	1	20	20	20
Total number offered	1	14	15	15
Offered in Greater Minnesota				
Teachers participating	15	600	600	600
<u>Film/video rentals:</u>				
Number of titles	79	79	79	79
Rentals	517	600	650	650
Audience	15,510	18,000	19,500	19,500
Traveling exhibits	30	31	32	32

Technical Assistance

County and local societies served	500	500	525	530
Copies of <i>Interpreter</i> distributed	2,320	2,500	2,600	2,600
Attendance at workshops	480	550	550	575

State Historic Preservation Office

Environmental review requests	2,939	3,300	3,500	4,000
Technical assistance requests	674	780	850	950
Properties added to <i>National Register</i>	38	20	30	45
Properties added to inventory data base	2,118	5,000	15,000	22,000
Heritage Preservation Commissions	34	36	42	48
Certified Local Governments	20	23	25	30

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

Certified Local Government Federal

Grant Program Statistics:

Eligible cities	20	23	25	30
Projects funded	11	13	15	18
Average grant size	\$ 6,651	\$ 6,000	\$ 5,600	\$ 5,166
Grant dollars awarded	\$ 73,160	\$ 78,000	\$ 84,000	\$ 93,000
Applicant match	\$ 77,347	\$ 81,000	\$ 89,000	\$ 98,000
Total project value	\$150,507	\$159,000	\$173,000	\$191,000
Annual Federal Appropriation	\$567,765	\$570,000	\$586,000	\$594,000

The historic preservation program as created by the National Historic Preservation Act is built on the concept of a federal-state-local partnership. As the program has matured, increasing emphasis is placed on the local partners as evidenced in the growth in the Certified Local Government program. Cities participating in the program are located all over the state and range in size from communities of 500 population to major metropolitan areas.

1994-95 Biennial Budget

PROGRAM: Statewide Outreach Program
 AGENCY: Minnesota Historical Society
 (Continuation)

Grant-In-Aid	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
MHS Grants Program:				
Projects funded	0	20	80	80
Average grant size	0	\$ 4,750	\$ 3,375	\$ 3,375
State grant requests	0	260,000	400,000	360,000
Grant dollars awarded	0	\$ 95,000	\$270,000	\$270,000
Applicant match	0	\$145,000	\$350,000	\$350,000
Total project value	0	\$240,000	\$620,000	\$620,000

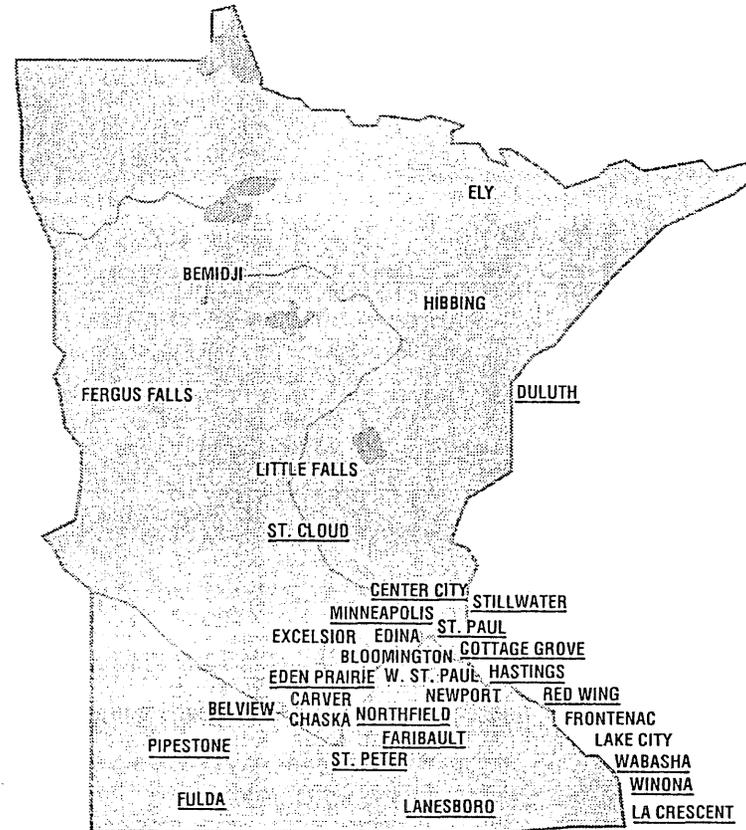
County and Local Programs: This function includes specific projects funded by each legislative session for fiscal administration by MHS. In F.Y. 1992-93 there were 2 such projects with a total funding of \$350,000.

St. Anthony Falls Heritage Plan Elements

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Historic resources	25	25	25	25
Heritage trail - stone arch bridge	1	1	1	1
Orientation trail elements	5	5	5	5
City trolley routes	1	1	1	1
Orientation center	1	1	1	1
Tour visitors	70,000	100,000	100,000	100,000
Operating needs	\$130.0	\$130.0	\$130.0	\$130.0
Grant-In-Aid needs	\$500.0	\$500.0	\$500.0	\$500.0
Exhibit development	\$80.0	\$80.0	\$80.0	\$80.0
Admission fees	0	13.2	15.0	15.0

A plan produced by the St. Anthony Falls Heritage Board as required by statute identifies 25 historic resources in the zone that deserve both preservation and interpretation as part of the story of settlement, industrial growth, and urbanization in Minneapolis and the state. They include flour and lumber mills, hydroelectric plants, bridges and railroads, homes and churches. The plan outlines a Heritage Trail linking sites and stories to provide public education and information about Minnesota's largest city for schoolchildren, residents, and tourists. Operating funds needed from MHS for this important urban project are \$130,000 for each year of the biennium.

Minnesota's Heritage Preservation Commissions



Certified Local Governments are underlined

May, 1992

1994-95 Biennial Budget

PROGRAM: Statewide Outreach Program
AGENCY: Minnesota Historical Society
 (Continuation)

State Archaeologist	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Licenses issued	55	60	75	80
Sites numbers issued	150	190	200	200
Reviews	1,200	1,200	1,400	1,400
Authentications	340	350	400	400
Phone calls handled	10,000	10,000	12,000	12,000
Agency contacts	2,000	2,000	2,500	2,500
Other contacts	250	260	300	300

MINNESOTA MILESTONES:

The complete list of Minnesota milestone goals that relate to the mission and services of the Minnesota Historical Society are listed in this section of the Agency level narrative. Applicable Minnesota milestone goals from that list relating to this program are as follows:

- Minnesotans will act to protect and enhance their environment.

S.H.P.O.	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Properties listed on National Register	1,460	1,480	1,510	1,555

- Rural areas, small cities and urban neighborhoods throughout the state will be economically viable places for people to live and work.

S.H.P.O.	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
County & local societies	500	500	525	530
Heritage Preserv. Comm.	34	36	42	48
Technical assistance	674	780	850	950
Certified local govt. projects funded	11	13	15	18
Certified local govt. grant funds awarded	73,160	78,000	84,000	93,000
Grants to local communities	11	33	95	98
Attendance at workshops	480	550	550	575

- Government in Minnesota will be cost-efficient and services will be designed to meet the needs of the people who use them.

S.H.P.O.	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Heritage Pres. Comm.	34	36	42	48
Certified local govts.	20	23	25	30

PROGRAM BUDGET PLAN:

The Agency Management Decisions that have been made to meet the budget development guidelines are as follows:

- Operating inflationary costs of \$15,000 for the biennium in this program will be absorbed within the framework of each division's budgets. MHS division managers have been instructed of this policy.

- Statewide Outreach Program

Reduce this program's general fund appropriation by \$24,000 in F.Y. 1994 and \$24,000 in F.Y. 1995. The general fund reduction amount will be partially offset by special revenue funds resulting from St. Anthony Falls Heritage Zone tours.

	F.Y. 1994	F.Y. 1995
General fund Statewide Outreach Program net reduction	(\$24,000)	(\$24,000)
Special revenue funds from tours	15,000	15,000
Total	(\$9,000)	(\$9,000)

- Historic Preservation Grants. Projects in need of grant assistance total in excess of \$250,000 annually at this time. Although this program has reduced the overall cost of historic preservation in Minnesota, additional funding needs will have to be deferred.
- Retain Federal Preservation Funds. It appears that the Department of Interior will increase its allocation of historic preservation funds to Minnesota by \$50,000 annually. This requires a like match from the state. The current allocation is \$567,756 for F.Y. 1993. The Society will contact local units of government to see if matching funds may be available.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a program funding level that has been reduced due to revised salary planning estimates and modified regarding LCMR funding.

The Governor acknowledges the process and allocations of the Legislative Commission on Minnesota Resources; Commission recommendations are reflected in agency plans. However, the Governor encourages the Legislature to review allocations of LCMR funds within the context of the overall budget. The Governor has prepared alternative recommendations that build upon the Commission's allocations in areas that coincide with the Governor's environmental priorities. See the LCMR section in the Environment and Natural Resources budget volume for overall comparison of Commission recommendations with the Governor's proposals.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: STATEWIDE OUTREACH

ACTIVITY RESOURCE ALLOCATION:	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EDUCATION	102	52	57	56	57	56	56	59	58
TECHNICAL ASSISTANCE	130	147	153	151	154	151	151	157	154
S.H.P.O.	614	553	546	505	509	506	505	513	510
GRANT-IN-AID	411	145	237	185	350	185	185	185	185
ST ANTHONY FALLS HERITAGE INTERPRE	89	155	160	158	150	149	158	151	150
STATE ARCHAEOLOGIST	27	27	27	27	27	27	27	27	27
TOTAL EXPENDITURES BY ACTIVITY	1,373	1,079	1,180	1,082	1,247	1,074	1,082	1,092	1,084
GOV'S INITIATIVES:			FUND						
(A) GOVERNOR'S LCMR ALTERNATIVE FUNDING			MNR			<165>			
(A) SALARY PLANNING ESTIMATES			GEN			<8>			<8>
TOTAL GOV'S INITIATIVES						<173>			<8>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	580	433	547	489	465	457	489	465	457
MN RESOURCES	162	40	40		165				
STATUTORY APPROPRIATIONS:									
FEDERAL	507	507	494	494	494	494	494	494	494
GIFTS AND DEPOSITS	124	99	99	99	123	123	99	133	133
TOTAL FINANCING	1,373	1,079	1,180	1,082	1,247	1,074	1,082	1,092	1,084
POSITIONS BY FUND:									
GENERAL	6.2	6.0	6.8	6.8	6.8	6.8	6.8	6.8	6.8
FEDERAL	5.1	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8
TOTAL POSITIONS	11.3	10.9	11.6	11.6	11.6	11.6	11.6	11.6	11.6

1994-95 Biennial Budget

BUDGET ACTIVITY: Education
PROGRAM: Statewide Outreach Program
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

The purpose of this activity is as follows.

EDUCATION. This activity assists school districts and their teachers to improve the teaching of state and local history in Minnesota. Cooperating with institutions of higher education, the statewide network of Educational Cooperative Service Units, the State Department of education, and individual school districts, it offers curriculum materials, workshops, courses, and in-service training sessions directed to that purpose.

OUTCOMES:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
<i>Northern Lights</i> curriculum:	92	93	94	95
School districts using	448	540	650	
Workshops offered	5	5	5	
Teacher attendance	105	125	150	
Other courses and workshops:				
Continuing education courses for teachers	1	20	20	20
Total number offered	1	14	15	15
Offered in Greater Minnesota				
Teachers participating	15	600	600	600
Film/video rentals:				
Number of titles	79	79	79	79
Rentals	517	600	650	650
Audience	15,510	18,000	19,500	19,500
Traveling exhibits	30	31	32	32

ACTIVITY BUDGET PLAN:

The Agency Management Decisions that have been made to meet the budget development guidelines are as follows:

- Operating inflationary costs of \$3,000 for the biennium in this activity will be absorbed within the framework of each division's budgets. MHS division managers have been instructed of this policy.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: STATEWIDE OUTREACH
ACTIVITY: EDUCATION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	65	52	41	41	42	41	41	44	43
EXPENSES/CONTRACTUAL SRVCS	23		14	13	13	13	13	13	13
MISC OPERATING EXPENSES	7								
SUPPLIES/MATERIALS/PARTS	6		2	2	2	2	2	2	2
CAPITAL EQUIPMENT	1								
SUBTOTAL STATE OPERATIONS	102	52	57	56	57	56	56	59	58
TOTAL EXPENDITURES	102	52	57	56	57	56	56	59	58
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES						<1>			<1>
TOTAL GOV'S INITIATIVES						<1>			<1>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	57	52	57	56	56	55	56	56	55
MN RESOURCES	45								
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS					1	1		3	3
TOTAL FINANCING	102	52	57	56	57	56	56	59	58
POSITIONS BY FUND:									
GENERAL	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL POSITIONS	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Technical Assistance
PROGRAM: Statewide Outreach Program
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

The purpose of this activity is as follows:

TECHNICAL SUPPORT. Through technical services, consultation, advice, and a statewide newsletter, this activity supports some 500 county, local, and special interest historical societies throughout the state.

<u>Technical Support</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
County and local societies served	500	500	525	530
Copies of <i>Interpreter</i> distributed	2,320	2,500	2,600	2,600
Attendance at workshops	480	550	550	575

ACTIVITY BUDGET PLAN:

The Agency Management Decisions that have been made to meet the budget development guidelines are as follows:

- Operating inflationary costs of \$6,000 for the biennium in this activity will be absorbed within the framework of each division's budgets. MHS division managers have been instructed of this policy.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: STATEWIDE OUTREACH
ACTIVITY: TECHNICAL ASSISTANCE

ACTIVITY SUMMARY				FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	84	86	86	87	90	87	87	93	90
EXPENSES/CONTRACTUAL SRVCS	32	47	55	53	53	53	53	53	53
MISC OPERATING EXPENSES	10	12	11	10	10	10	10	10	10
SUPPLIES/MATERIALS/PARTS	2	2	1	1	1	1	1	1	1
CAPITAL EQUIPMENT	2								
SUBTOTAL STATE OPERATIONS	130	147	153	151	154	151	151	157	154
TOTAL EXPENDITURES	130	147	153	151	154	151	151	157	154
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<3>			<3>
TOTAL GOV'S INITIATIVES						<3>			<3>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	84	141	147	145	145	142	145	145	142
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS	46	6	6	6	9	9	6	12	12
TOTAL FINANCING	130	147	153	151	154	151	151	157	154
POSITIONS BY FUND:									
GENERAL	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL POSITIONS	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

1994-95 Biennial Budget

BUDGET ACTIVITY: State Historic Preservation Office
PROGRAM: Statewide Outreach
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

The purpose of this activity is as follows.

STATE HISTORIC PRESERVATION OFFICE. The purpose of this activity is to administer the National Historic Preservation Act for Minnesota and to maintain the National and State Registers of Historic Places and inventory of over 50,000 historic and archaeological resources in the state.

OUTCOMES:

State Historic Preservation Office

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Environmental review requests	2,939	3,300	3,500	4,000
Technical assistance requests	674	780	850	950
Properties added to <i>National Register</i>	38	20	30	45
Properties added to inventory data base	2,118	5,000	15,000	22,000
Heritage Preservation Commissions	34	36	42	48
Certified Local Governments	20	23	25	30

Dollars in Thousands

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Certified Local Government Federal Grant Program Statistics:				
Eligible cities	20	23	25	30
Projects funded	11	13	15	18
Average grant size	\$ 6,651	\$ 6,000	\$ 5,600	\$ 5,166
Grant dollars awarded	\$ 73,160	\$ 78,000	\$ 84,000	\$ 93,000
Applicant match	\$ 77,347	\$ 81,000	\$ 89,000	\$ 98,000
Total project value	\$150,507	\$159,000	\$173,000	\$191,000
Annual Federal Appropriation	\$567,765	\$570,000	\$586,000	\$594,000

The historic preservation program as created by the National Historic Preservation Act is built on the concept of a federal-state-local partnership. As the program has matured, increasing emphasis is placed on the local partners as evidenced in the growth in the Certified Local Government program. Cities participating in the program are located all over the state and range in size from communities of 500 population to major metropolitan areas.

MINNESOTA MILESTONES:

The complete list of Minnesota milestone goals that relate to the mission and services of the Minnesota Historical Society are listed in the Agency level narrative. Applicable Minnesota milestone goals from that list relating to this program are as follows:

■ Minnesotans will act to protect and enhance their environment.
S.H.P.O. F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995
 Properties listed on
National Register 1,460 1,480 1,510 1,555

■ Rural areas, small cities and urban neighborhoods throughout the state will be economically viable places for people to live and work.
S.H.P.O. F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995
 County & local societies 500 500 525 530
 Heritage Preserv. Comm. 34 36 42 48
 Technical assistance 674 780 850 950
 Certified local govt.
 projects funded 11 13 15 18
 Certified local govt.
 grant funds awarded 73,160 78,000 84,000 93,000
 Grants to local communities 11 33 95 98
 Attendance at workshops 480 550 550 575

■ Government in Minnesota will be cost-efficient and services will be designed to meet the needs of the people who use them.
S.H.P.O. F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995
 Heritage Pres. Comm. 34 36 42 48
 Certified local govts. 20 23 25 30

ACTIVITY BUDGET PLAN:

The Agency Management decisions that have been made to meet the budget development guidelines are as follows:

- Operating inflationary costs of \$3,000 for the biennium in this activity will be absorbed within the framework of each division's budgets. MHS division managers have been instructed of this policy.
- Retain Federal Preservation Funds. It appears that the Department of Interior will increase its allocation of historic preservation funds to Minnesota by \$50,000 annually. This requires a like match from the state. The current allocation is \$567,756 for FY 1993. The Society will contact local units of government to see if matching funds may be available.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: STATEWIDE OUTREACH
ACTIVITY: S.H.P.O.

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	381	395	398	398	402	399	398	406	403
EXPENSES/CONTRACTUAL SRVCS	205	130	120	80	80	80	80	80	80
MISC OPERATING EXPENSES	15	19	19	18	18	18	18	18	18
SUPPLIES/MATERIALS/PARTS	5	6	6	6	6	6	6	6	6
CAPITAL EQUIPMENT	8	3	3	3	3	3	3	3	3
SUBTOTAL STATE OPERATIONS	614	553	546	505	509	506	505	513	510
TOTAL EXPENDITURES	614	553	546	505	509	506	505	513	510
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES									
GEN									
						<3>			
						<3>			
TOTAL GOV'S INITIATIVES									
						<3>			
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	109	137	135	134	134	131	134	134	131
MN RESOURCES	117	40	40						
STATUTORY APPROPRIATIONS:									
FEDERAL	368	363	358	358	358	358	358	358	358
GIFTS AND DEPOSITS	20	13	13	13	17	17	13	21	21
TOTAL FINANCING	614	553	546	505	509	506	505	513	510
POSITIONS BY FUND:									
GENERAL	2.2	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
FEDERAL	4.1	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: STATEWIDE OUTREACH
ACTIVITY: S.H.P.O.

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL POSITIONS	6.3	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6

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1994-95 Biennial Budget

BUDGET ACTIVITY: Grant-In-Aid
PROGRAM: Statewide Outreach
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

The purpose of this activity is as follows.

GRANT-IN-AID. The Society administers a state-funded grant-in-aid program supporting projects in the preservation and interpretation of Minnesota history, and it also makes special grants for certain larger projects directed toward the same purpose.

OUTCOMES:

Grant-In-Aid

F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
MHS Grants Program:				
Projects funded	0	20	80	80
Average grant size	0	\$ 4,750	\$ 3,375	\$ 3,375
State grant requests	0	260,000	400,000	360,000
Grant dollars awarded	0	\$ 95,000	\$270,000	\$270,000
Applicant match	0	\$145,000	\$350,000	\$350,000
Total project value	0	\$240,000	\$620,000	\$620,000

County and Local Programs: This function includes specific projects funded by each legislative session for fiscal administration by MHS. In F.Y. 1992-93 there were 2 such projects with a total funding of \$350,000.

ACTIVITY BUDGET PLAN:

The Agency Management Decisions that have been made to meet the budget development guidelines are as follows:

- **Historic Preservation Grants.** Projects in need of grant assistance total in excess of \$250,000 annually at this time. Although this program has reduced the overall cost of historic preservation in Minnesota, additional funding needs will have to be deferred.

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: STATEWIDE OUTREACH
ACTIVITY: GRANT-IN-AID

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	126	50	47	47	47	47	47	47	47
EXPENSES/CONTRACTUAL SRVCS	2								
MISC OPERATING EXPENSES		1	1	1	13	1	1	1	1
SUPPLIES/MATERIALS/PARTS					3				
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	128	51	48	48	63	48	48	48	48
LOCAL ASSISTANCE	283	94	189	137	287	137	137	137	137
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	411	145	237	185	350	185	185	185	185
GOV'S INITIATIVES:									
FUND									
(A) GOVERNOR'S LCMR ALTERNATIVE FUNDING						<165>			
MNR									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL GOV'S INITIATIVES						<165>			
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	272		100	48	48	48	48	48	48
MN RESOURCES					165				
STATUTORY APPROPRIATIONS:									
FEDERAL	139	144	136	136	136	136	136	136	136
GIFTS AND DEPOSITS		1	1	1	1	1	1	1	1
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	411	145	237	185	350	185	185	185	185
POSITIONS BY FUND:									
GENERAL	2.0	.0	.1	.1	.1	.1	.1	.1	.1
FEDERAL	1.0	1.0	.9	.9	.9	.9	.9	.9	.9

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: STATEWIDE OUTREACH
ACTIVITY: GRANT-IN-AID

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL POSITIONS	3.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

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1994-95 Biennial Budget

BUDGET ACTIVITY: St. Anthony Falls Heritage Interpretive Zone
PROGRAM: Statewide Outreach
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

The purpose of this activity is as follows:

ST. ANTHONY FALLS HERITAGE INTERPRETIVE ZONE. This activity provides for developing public interpretation and for preserving historic resources in the part of the Minneapolis riverfront that encompasses the Falls of St. Anthony and the historic milling district. It was created by *Laws of Minnesota, 1988*, ch. 684, sections 8-14.

St. Anthony Falls Heritage Plan Elements

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Historic resources	25	25	25	25
Heritage trail - Stone Arch Bridge	1	1	1	1
Orientation trail elements	5	5	5	5
City trolley routes	1	1	1	1
Orientation center	1	1	1	1
Tour visitors	70,000	100,000	100,000	100,000
Operating needs	\$130.0	\$130.0	\$130.0	\$130.0
Grant-In-Aid needs	\$500.0	\$500.0	\$500.0	\$500.0
Exhibit development	\$80.0	\$80.0	\$80.0	\$80.0
Admission fees	0	13.2	15.0	15.0

A plan produced by the St. Anthony Falls Heritage Board as required by statute identifies 25 historic resources in the zone that deserve both preservation and interpretation as part of the story of settlement, industrial growth, and urbanization in Minneapolis and the state. They include flour and lumber mills, hydroelectric plants, bridges and railroads, homes and churches. The plan outlines a Heritage Trail linking sites and stories to provide public education and information about Minnesota's largest city for schoolchildren, residents, and tourists. Operating funds needed from MHS for this important urban project are \$130,000 for each year of the biennium.

ACTIVITY BUDGET PLAN:

The Agency Management Decisions that have been made to meet the budget development guidelines are as follows:

- Operating inflationary costs of \$3,000 for the biennium in this activity will be absorbed within the framework of each division's budgets. MHS division managers have been instructed of this policy.

■ **Statewide Outreach Program.**

Reduce this program's general fund appropriation by \$24,000 in F.Y. 1994 and \$24,000 in F.Y. 1995. The general fund reduction amount will be partially offset by special revenue funds resulting from St. Anthony Falls Heritage Zone tours.

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
General fund Statewide Outreach Program net reduction	(\$24,000)	(\$24,000)
Special revenue funds from tours	<u>15,000</u>	<u>15,000</u>
Total Impact on Statewide Outreach Program	(\$9,000)	(\$9,000)

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: STATEWIDE OUTREACH
ACTIVITY: ST ANTHONY FALLS HERITAGE INTERPRE

ACTIVITY SUMMARY	Est.			FY 1994			FY 1995		
	FY 1991	FY 1992	FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES		12	42	42	43	42	42	44	43
EXPENSES/CONTRACTUAL SRVCS	88	113	114	112	103	103	112	103	103
MISC OPERATING EXPENSES			3	3	3	3	3	3	3
SUPPLIES/MATERIALS/PARTS	1	13	1	1	1	1	1	1	1
CAPITAL EQUIPMENT		17							
SUBTOTAL STATE OPERATIONS	89	155	160	158	150	149	158	151	150
TOTAL EXPENDITURES	89	155	160	158	150	149	158	151	150
GOV'S INITIATIVES:									
FUND									
(A) SALARY PLANNING ESTIMATES			GEN			<1>			<1>
TOTAL GOV'S INITIATIVES						<1>			<1>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	31	76	81	79	55	54	79	55	54
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS	58	79	79	79	95	95	79	96	96
TOTAL FINANCING	89	155	160	158	150	149	158	151	150
POSITIONS BY FUND:									
GENERAL	.0	.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL POSITIONS	.0	.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0

1994-95 Biennial Budget

BUDGET ACTIVITY: State Archaeologist
PROGRAM: Statewide Outreach
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

The position of State Archaeologist is unpaid. Funding is used for expenses and part-time assistance. The appropriation has not increased since 1988. Meanwhile the number of cases, the backlog of work, and the time lag in handling them continue to grow. In particular, sensitivity to the destruction of Native American cemeteries and burials has produced a wave of new demands. To fulfill the duties of the office as required by law would require 4 full-time and 2 part-time staff.

ISSUES:

The funding is simply inadequate to meet the demands of this office. Restructuring the office in consultation with the Indian Affairs Council (MIAC) is needed.

OUTCOMES:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
State Archaeologist:				
Licenses issued	55	60	75	80
Sites numbers issued	150	190	200	200
Reviews	1,200	1,200	1,400	1,400
Authentications	340	350	400	400
Phone calls handled	10,000	10,000	12,000	12,000
Agency contacts	2,000	2,000	2,500	2,500
Other contacts	250	260	300	300

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: STATEWIDE OUTREACH
ACTIVITY: STATE ARCHAEOLOGIST

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	27	27	27	27	27	27	27	27	27
TOTAL EXPENDITURES	27	27	27	27	27	27	27	27	27
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	27	27	27	27	27	27	27	27	27
TOTAL FINANCING	27	27	27	27	27	27	27	27	27
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

PROGRAM: Repair and Replacement
AGENCY: Minnesota Historical Society

PROGRAM PURPOSE:

This program exists for the purpose of providing funds to repair and replace critical assets of the state's history program.

PROSPECTS:

1. To maintain in good repair the historic and other structures that the Minnesota Historical Society is responsible for managing.
2. To maintain in good repair exhibits and historic artifacts used in presentations at historic sites, interpretive centers, and museum galleries.
3. To provide ongoing restoration and preservation of murals, stencils, sculpture, statues, paintings, built-in exhibits areas, and art works in the public areas of the State Capitol.
4. To keep complete and in good repair the system of state markers and monuments on interstates and other highways, at waysides, and in rest areas.
5. The objective of this program is to provide the overall coordination and specialized assistance to meet with varied and distinct repair and replacement needs, in order that users of the Society's facilities and viewers of its exhibits may have a safe and fulfilling educational experience and that the historical resources used may be preserved for future generations.

OUTCOMES:

Knowledgeable and responsible staff members make decisions relating to their areas of expertise, whether it be to repair a Ramsey House ceiling or to conserve a delicate lace shawl. This is accomplished through systematic examination, inspection, and monitoring of the relevant structures, exhibits, historic artifacts, and works of art. Recommendations for repair and replacement, conservation techniques, and implementation plans are provided to determine a repair and replacement program for the biennium. This program operates in 4 functional areas:

1. **Facility Repair and Replacement.** Since 1958 the Society has acquired, or been given by law, responsibility for 115 structures located at 31 of the state's historic sites. These include many buildings that are very old and regularly develop serious structural problems, often without warning. In most cases they also require special restoration procedures. Some examples of repair and maintenance include tuck-pointing, roof repair and replacement, repainting of interior or exterior surfaces, renovation of floors and fixtures, recarpeting, replacement of steps and stairs, foundation repair and replacement, furnace repair and replacement, parking lot repair, prairie restoration, and replacement or major repair of building HVAC systems.

Statistics for repair and replacement of facilities at historic sites are as follows:

Dollars in Thousands
F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

No. structures managed	115	115	115	115
Total gross square feet	328,000	328,000	328,000	328,000
Projects completed				
Planned	10	35	35	35
Emergency	80	unknown	unknown	unknown
Past funding	\$248,613	\$308,000	N/A	N/A

Additional Historic Site Repairs. \$200,000 in added funding is needed annually to meet critical repair needs of the state's historic sites. \$462,000 is appropriated annually for Repair and Replacement needs. This appropriation covers repair of exhibits, historic sites, monuments and markers, works of art in the State Capitol, and historical artifacts. The additional needs of historic sites are over and above the amount currently appropriated. Some examples of these needs are as follows:

<u>Site</u>	<u>Item</u>	<u>Amount</u>
Historic Forestville	Granary Stabilization	\$20,000
Ramsey House	Ceiling Repair	10,000
Oliver Kelley Farm	Cropland Fencing	30,000
Lindbergh Center	Carpet Replacement	12,000
Lac Qui Parle Mission	Trail Improvement	15,000

2. **Exhibit Maintenance.** The Society operates interpretive facilities and museums for public use. They are located at historic sites in the Twin Cities, near Grand Rapids, Elk River, Onamia, International Falls, Redwood Falls, Little Falls, and Two Harbors. These centers house permanently installed exhibits that inform visitors of the historical setting of the site and illuminate the events and people that have given it significance. Supplementing them are furnishings, historical equipment, and other artifacts that relate to the site or help to bring alive its story. There are approximately 37,000 square feet of formal exhibits and space used for audio-visual programs presently in place at historic sites. Included in these exhibits, on display separately, or used in demonstrations and living history activities are approximately 21,000 historic artifacts. Some are original and irreplaceable objects requiring carefully controlled conditions and expert care; others are exact replicas produced for use in demonstrations and educational programs.

Maintenance needs may include such things as repair or replacement of silk-screening, repair of exhibit cases, patching or repairing exhibit spaces, remounting photographs, audio-visual equipment repair and replacement, and lighting repair or replacement. Artifact care includes conservation or restoration of historic objects, cleaning of art works, and, where possible, replacement of worn out or damaged items.

Also in need of frequent repair and replacement are the Society's traveling exhibits, which circulate to schools, libraries, county and local historical societies, banks, courthouses, and other public places throughout the state. These exhibits offer an array of historical photographs, art reproductions, graphics, and informative captions on a wide variety of topics. Some are framed and others are mounted on stiff backing for easy display. The wear and tear of travel

1994-95 Biennial Budget

PROGRAM: Repair and Replacement
AGENCY: Minnesota Historical Society
 (Continuation)

demand constant attention to the contents as well as frequent maintenance of the crates that house them while in transit.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Statistics on exhibits in historic sites:				
No. of exhibit spaces in interpretive centers	12	12	12	12
Artifacts in historic sites exhibits	21,000	21,000	21,000	21,000

A major change in exhibition operations will be the opening of a portion of the galleries (20,000 square feet) in the new History Center in 1993.

3. **State Capitol.** Pursuant to *Minnesota Laws of 1987*, the Society is responsible for "Works of Art" in all spaces of the Capitol. The law defines such works as "paintings, portraits, mural decorations, stained glass, statues and busts, bas-relief, ornaments, furniture, plaques, and any other article or structure of a permanent character intended for decoration or commemoration placed in the Capitol in 1905 or placed subsequently for historic purposes or decoration."

The State Capitol serves as a monument to Minnesota's heritage. There is an ongoing need to provide technical assistance, develop plans, and acquire materials and services for preserving the public areas. Repair and maintenance may include paint analysis, repair and cleaning of murals, stencils, paintings, busts, and statues, repair and replacement of furnishings in public areas, and cleaning and conservation of exterior figures and statues.

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Governor's portraits	35	35	35	35
Statutes: interior and exterior	17	17	17	17
Paintings	11	11	11	11
Murals	36	36	36	36
Plaques	12	12	12	12
Busts	18	18	18	18
Furnishings	800	800	800	800
Statues on mall	11	11	11	11

4. **Markers and Monuments.** The Society must replace and keep in good repair 406 existing state markers that frequently need maintenance because of vandalism and the elements. These services include preservation coating of bronze markers, foundation repair, and casting of new markers.

Also in need of ongoing maintenance and repair are the 30 state monuments, which are stone structures requiring treatment such as tuck-pointing, replacement of granite blocks, and foundation repair.

Currently 65 of the markers are at highway and interstate rest areas. Hundreds of thousands of people use Minnesota's highway system rest areas, and may pause to read these markers.

In this way travelers from other states and countries, as well as citizens of Minnesota, can and do learn much about the state's historic heritage.

Markers and Monuments	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
State markers	406	435	462	476
Geographical markers	30	30	30	30
State monuments	30	30	30	30
State markers at interstate rest areas	6	7	8	12
Counties with markers	73	73	75	78
Counties with wayside markers and monuments	46	46	46	46

5. **Exhibit Replacement.** The steady stream of visitors—school children, families, tourists, and senior citizens—that pours through the state's historic sites, including the Capitol, takes a toll on structures, exhibit installations, audio-visual equipment, and artifacts. So does age. Exhibits must be maintained on an annual basis, or they become damaged and unsightly, and irreplaceable artifacts are endangered.

With the arrival of new technologies and new fashions in design, exhibits begin to look antiquated. Intellectually also they may become outdated. As our society and the attitudes of its people change, so do views of the past. New social sensitivities and different perspectives arise. Our aging exhibits have served the public long and well, but as the table below shows, many are now overdue for replacement.

<u>SITE</u>	<u>AGE OF EXHIBIT</u>	<u>TOTAL SQ. FT.</u>
Ramsey House	19 yrs.	1,707
Forest History Center	10 yrs.	5,420
Fort Ridgely	15 yrs.	1,911
Grand Mound	14 yrs.	850
Fort Snelling:		
History Center	14 yrs.	4,575
Long Barracks	15 yrs.	4,280
Officers' Quarters	12 yrs.	1,850
Hospital Building	14 yrs.	799
Jeffers Petroglyphs	10 yrs.	250
Lac Qui Parle Mission	17 yrs.	840
Lindbergh House	17 yrs.	2,750
Lower Sioux Agency	17 yrs.	1,650
Mille Lacs Indian Museum	7 yrs./20 yrs.	4,795
North West Company Fur Post	20 yrs.	201
Oliver H. Kelley Farm	8 yrs.	2,066
Split Rock Lighthouse	4 yrs.	<u>3,283</u>

Total, 16 exhibits, average age 15 yrs. 37,147

The replacement costs of these exhibits will exceed \$5,000,000.00. Funding for some of their replacement costs will be a part of the 1993 Capital Improvements Budget Request.

1994-95 Biennial Budget

PROGRAM: Repair and Replacement
AGENCY: Minnesota Historical Society
(Continuation)

PROGRAM BUDGET PLAN:

The Agency Management Decisions that have been made to meet the budget development guidelines are as follows.

- Operating inflationary costs of \$37,000 for the biennium in this program will be absorbed within the framework of each division's budgets. MHS division managers have been instructed of this policy.

- Reduce Exhibit Portion of R & R Funds F.Y. 1994 F.Y. 1995

Reduces R & R general fund appropriation from
\$462,000 to \$420,250 annually, affecting
exhibits by \$41,750 each fiscal year (\$41,750) (\$41,750)

- Additional Historic Site Repair. A major backlog of historic site repair needs has developed over the past 4 years. Specific detail is available on the required needs which are estimated at over \$200,000 per year. These needs are in addition to current funding for such repairs. The Society will seek these added needs as a part of the Capital Budget process in 1993.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan for the Repair and Replacement program; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: REPAIR AND REPLACEMENT
ACTIVITY: REPAIR AND REPLACEMENT

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	82	108	90	91	92	89	91	95	92
EXPENSES/CONTRACTUAL SRVCS	253	301	330	317	296	296	317	296	296
MISC OPERATING EXPENSES		1	1	1			1		
SUPPLIES/MATERIALS/PARTS	39	34	43	41	34	34	41	34	34
CAPITAL EQUIPMENT	66	12	13	12	1	1	12	1	1
OTHER	24	27	35	34	34	34	34	34	34
SUBTOTAL STATE OPERATIONS	464	483	512	496	457	454	496	460	457
TOTAL EXPENDITURES	464	483	512	496	457	454	496	460	457
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<3>			<3>
TOTAL GOV'S INITIATIVES						<3>			<3>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	461	432	461	445	403	400	445	403	400
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS	3	51	51	51	54	54	51	57	57
TOTAL FINANCING	464	483	512	496	457	454	496	460	457
POSITIONS BY FUND:									
GENERAL	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL POSITIONS	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

1994-95 Biennial Budget

PROGRAM: Physical Plant Program
AGENCY: Minnesota Historical Society

PROGRAM PURPOSE:

This program exists for the purposes of providing heating/cooling, grounds-keeping services, custodial services and routines, relamping, building repair, state-installed security points, and debt service payments for the History Center as defined in M.S. 138.94. It includes 2 activities - Operations and Debt Service.

PROSPECTS:

Operations Activity

It is the intent of the Society and the Department of Administration (D.O.A.) to establish a complete and first-class maintenance program at the History Center.

The services that are provided to the Society's staff and visitors will be in a manner that meets industry standards and standards as established by the Society in accordance with M.S. 138.94. These services shall be innovative and mutually beneficial to the public, the Society and the providers of these services. The cleaning and maintenance services will be provided 7 days per week due to the large number of visitors expected to visit the History Center on Saturdays and Sundays.

The performance of this activity will involve a variety of activities some of which include building cleaning (internal and external), elevator repair, mechanical system maintenance, electrical, plumbing, locksmithing, carpentry work, maintaining communications systems, grounds and landscaping, snow removal, recycling, and payment of all utility costs. In accordance with M.S. 138.94, the Minnesota Historical Society will provide the appropriate standards for custodial, security, and climate control services.

OUTCOMES:

History Center Building Areas:

<u>Level</u>	<u>Gross Square Feet</u>	<u>Net Square Feet</u>
Tunnel	4,800	--
One	114,344	79,445
Two	99,498	88,181
Three	40,032	19,017
Four	72,563	46,794
Five	64,441	45,498
Six	31,948	18,366
Seven	<u>3,609</u>	<u>--</u>
Total	431,235	297,301

Debt Service Activity

This activity involves the payment of interest on bonds, and depreciation payments to the State General Fund.

PROGRAM PLAN:

The Agency Management Decisions that have been made to meet the budget development guidelines are as follows.

■ Physical Plant Program

Reduce Physical Plant general fund program expenses by \$291,000 in F.Y. 1994 and 1995. The Society would propose offsetting this reduction by adjustment of building cleaning standards which the Society, by statute, establishes, and which determines final costs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan for the Physical Plant program, which includes a \$9.6 million biennial increase for debt service and physical plant program expenses at the History Center.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: PHYSICAL PLANT PROGRAM

ACTIVITY RESOURCE ALLOCATION:				FY 1994			FY 1995		
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
OPERATIONS	674	702	556	2,791	2,500	2,500	2,796	2,505	2,505
DEBT SERVICE				3,024	3,024	3,024	3,028	3,028	3,028
TOTAL EXPENDITURES BY ACTIVITY	674	702	556	5,815	5,524	5,524	5,824	5,533	5,533
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	674	702	556	5,815	5,524	5,524	5,824	5,533	5,533
TOTAL FINANCING	674	702	556	5,815	5,524	5,524	5,824	5,533	5,533
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Operations
PROGRAM: Physical Plant
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

Operations

It is the intent of the Society and the Department of Administration (D.O.A.) to establish a complete and first-class maintenance program at the History Center.

The services that are provided to the Society's staff and visitors will be in a manner that meets industry standards and standards as established by the Society in accordance with M.S. 138.94. These services shall be innovative and mutually beneficial to the public, the Society and the providers of these services. The cleaning and maintenance services will be provided 7 days per week due to the large number of visitors expected to visit the History Center on Saturdays and Sundays.

The performance of this activity will involve a variety of activities some of which include building cleaning (internal and external), elevator repair, mechanical system maintenance, electrical, plumbing, locksmithing, carpentry work, maintaining communications systems, grounds and landscaping, snow removal, recycling, and payment of all utility costs. In accordance with M.S. 138.94, the Minnesota Historical Society will provide the appropriate standards for custodial, security, and climate control services.

OUTCOMES:

History Center Building Areas:

<u>Level</u>	<u>Gross Square Feet</u>	<u>Net Square Feet</u>
Tunnel	4,800	-
One	114,344	79,445
Two	99,498	88,181
Three	40,032	19,017
Four	72,563	46,794
Five	64,441	45,498
Six	31,948	18,366
Seven	3,609	-
Total	431,235	297,301

ACTIVITY BUDGET PLAN:

The Agency Management Decisions that have been made to meet the budget development guidelines are as follows:

■ Physical Plant Program

Reduce Physical Plant general fund program expenses by \$291,000 in F.Y. 1994 and 1995. The Society would propose offsetting this reduction by adjustment of building cleaning standards which the Society, by statute, establishes, and which determines final costs.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: PHYSICAL PLANT PROGRAM
ACTIVITY: OPERATIONS

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	654	681	549	2,791	2,500	2,500	2,796	2,505	2,505
MISC OPERATING EXPENSES	10	10	3						
SUPPLIES/MATERIALS/PARTS	10	11	4						
SUBTOTAL STATE OPERATIONS	674	702	556	2,791	2,500	2,500	2,796	2,505	2,505
TOTAL EXPENDITURES	674	702	556	2,791	2,500	2,500	2,796	2,505	2,505
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	674	702	556	2,791	2,500	2,500	2,796	2,505	2,505
TOTAL FINANCING	674	702	556	2,791	2,500	2,500	2,796	2,505	2,505
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Debt Service
PROGRAM: Physical Plant
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

This activity involves the payment of interest on bonds, and depreciation payments to the State General Fund.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: PHYSICAL PLANT PROGRAM
ACTIVITY: DEBT SERVICE

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS				3,024	3,024	3,024	3,028	3,028	3,028
SUBTOTAL STATE OPERATIONS				3,024	3,024	3,024	3,028	3,028	3,028
TOTAL EXPENDITURES				3,024	3,024	3,024	3,028	3,028	3,028
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL				3,024	3,024	3,024	3,028	3,028	3,028
TOTAL FINANCING				3,024	3,024	3,024	3,028	3,028	3,028
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

PROGRAM: Fiscal Agents
AGENCY: Minnesota Historical Society

PROGRAM PURPOSE:

The Minnesota Historical Society serves as fiscal agent for certain organizations and activities as determined by the Minnesota Legislature. In general these are historical related types of activities.

PROSPECTS:

This program at the present time involves fiscal agent appropriations to the following institutions or activities:

1. Sibley House Association
2. Minnesota International Center
3. Minnesota Air National Guard
4. Project 120
5. Minnesota Military Museum

OUTCOMES:

As a part of the budget process, each fiscal agent activity has submitted a description of their activity which includes outcomes as well as other pertinent information. In the interest in keeping the budget document in a simplified form, please see the individual activity sheet provided for each fiscal agent activity for the outcomes relating to their particular activity.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan for the Fiscal Agents program.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: FISCAL AGENTS

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
SIBLEY HOUSE ASSOCIATION	93	93	93	93	88	88	93	88	88
MN INTERNATIONAL CENTER	38	51	50	51	48	48	50	47	47
MINN AIR NATIONAL GUARD		20		20	19	19			
PROJECT 120	69	69	69	69	66	66	69	66	66
MN MILITARY MUSEUM		30		30	29	29			
CLOQUET-MOOSE LK FOREST FIRE CENTE			20						
MUSEUM OF THE NATIONAL GUARD		25							
TOTAL EXPENDITURES BY ACTIVITY	200	288	232	263	250	250	212	201	201
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	200	288	232	263	250	250	212	201	201
TOTAL FINANCING	200	288	232	263	250	250	212	201	201
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Sibley House Association
PROGRAM: Fiscal Agents
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

The mission of the Sibley House Association (SHA) is to present Minnesota's history to the general public through the interpretation of the Sibley House properties. This is done through on-site tours, weekend activities that relate to the time period of the site, and outreach programs for schools and senior citizens. These activities are supported by intensive research, maintenance of the buildings, and preservation of the artifact collections. The site provides the only place where all aspects of Minnesota's Early History can be seen including the Native American, Fur Trade, Family Life, Military & Government History, in their natural environment.

PERFORMANCE:

For more than 20 years SHA has been operating in a situation of shrinking private funds and volunteer help, supplemented by minimal state appropriations. The 1990-91 appropriations bill provided increased operating funds and required that a study be conducted by the SHA and the Minnesota Historical Society (MHS), looking toward state acquisition of the site.

During the past biennium the tours and interpretive programs have been continued, with results as follows:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
No. of visitors*	25,000	25,000	25,000	25,000
No. of volunteer hours	16,000	16,000	16,000	16,000

* 12% senior citizens; 60% children

PROSPECTS:

The private funds of the association are diminishing at a rapid rate and therefore will only pay a small percentage of the total cost of maintenance and operations. At the current level of funding, state appropriations do not fully cover the remainder. Staff salaries are substandard, and operation is inefficient due to lack of help. Cataloging of the collection and research activities have suffered.

If additional funding can be found, long-term trends offer hope. A growing population in the metropolitan area and increasing tourism, along with greater public interest in history, are bringing more visitors each year to this site, which stands adjacent to Fort Snelling State Park at the historic heart of Minnesota. Unfortunately, at the present level of operations, the Sibley House cannot accommodate them.

The 1989 Legislature required that the Minnesota Historical Society meet with the Sibley House Association and chart a course for the ownership and management of this site. The legislation that mandates this study reads as follows:

The Minnesota Historical Society shall study and report to the governor and the Legislature by July 1, 1990, on the ownership and management of the Sibley house historic site, which includes the Sibley, Faribault and DuPuis houses. The purpose of the study is to prepare for transferring these properties to the state for inclusion in the state's historic site network. The study must include the governance of the site, funding needed to repair and restore the site, restoration priorities, funding needed to operate the site, and ownership of the collections. The study must contain joint recommendations of the society and the association regarding these issues as well as a recommendation when the site should be turned over to the state. Recommendations for funding must be included in the 1992-1993 biennial budget request.

All parties are anxious that the site remain open with continued funding. There are two sources of concern here. The first is the question of possible closing due to budget cuts. It is felt that M.S. Chapter 138 "Historical Societies; Historic Sites; Archives; Field Archaeology" provided a measure of the state's commitment to maintaining historic sites and managing them in a historical appropriate manner.

The second continuing concern addresses the Sibley Historic Site collections. With regard to the transfer of the Sibley Historic Site collections, the point of discussion centered around the issue of accessibility of the collection on site. After discussion of the needs to store some of the artifacts in temperature and humidity-controlled surroundings, it was agreed that a portion of the collections would always be available at the Sibley Site, with a complete catalogue and photographs of the entire collection also available. There was reference during these discussions to a "Faribault House Covenant," made in the 1930's in association with acquisition of the Faribault House and the Bishop Whipple Collection, which stipulates that the collections not be separated from the house. No written copy of this covenant could be found, however.

The final issue of continuing concern addresses the availability of a meeting place for the Daughters of the American Revolution (parent organization of the SHA) and SHA on site and the provision of space for records storage.

1994-1995 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: FISCAL AGENTS
ACTIVITY: SIBLEY HOUSE ASSOCIATION

ACTIVITY SUMMARY	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	51	52	53	53	50	50	53	50	50
EXPENSES/CONTRACTUAL SRVCS	32	28	23	23	22	22	23	22	22
MISC OPERATING EXPENSES	5	6	11	11	11	11	11	11	11
SUPPLIES/MATERIALS/PARTS	5	7	6	6	5	5	6	5	5
SUBTOTAL STATE OPERATIONS	93	93	93	93	88	88	93	88	88
TOTAL EXPENDITURES	93	93	93	93	88	88	93	88	88
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	93	93	93	93	88	88	93	88	88
TOTAL FINANCING	93	93	93	93	88	88	93	88	88
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Minnesota International Center
PROGRAM: Fiscal Agents
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

The Minnesota International Center (MIC) is a nonprofit community organization that promotes international exchange and understanding between Minnesotans and the world. This is accomplished through the following major program areas:

- **Professional Exchange:** Each year MIC brings international leaders to Minnesota to meet face-to-face with their counterparts in business, agriculture, the arts, education, government, and human services. In calendar year 1992, 903 visitors representing 133 countries came to Minnesota through MIC. Over 2,400 appointments were arranged, including over 350 visits to farms and communities outside the metro area. Technical and professional information was exchanged and the potential developed for ongoing contact. Income to the state for hotel, food, and travel expenses of the visitors totalled over \$1,500,000 (based on Minnesota Office of Tourism data for mean expenditure per international visitor).
- **International Students and Scholars:** MIC programs utilize foreign students and scholars studying in Minnesota at the university level as resources for classroom teachers and community groups in the metropolitan area and throughout the state. In F.Y. 1992, the speakers' program reached audiences totaling 6,097 on topics ranging from poverty and economic development to customs and cultural differences. In addition to the speakers' program, MIC provided opportunities for personal interaction between Minnesotans and several hundred international students through programs that offer a level of involvement ranging from dinner hospitality to friendship exchange to homestays.
- **World Affairs:** MIC furthers global awareness through conferences and seminars that inform Minnesotans about international events and stimulate discussion among business and community leaders on critical issues that impact the state. Fifteen events were held in F.Y. 1992 with a total audience of 1,481. In addition, a total audience of 2,844 Minnesotans participated in 14 foreign policy discussion groups that met 8 times during the year to discuss specific international issues in-depth.
- **Language Bank:** MIC locates interpreters and translators for hospitals, courts, social service agencies, and businesses through a language bank referral service. A total of 87 languages are represented in the language bank. In F.Y. 1992, MIC handled 428 requests for service.

BUDGET ISSUES:

Total revenue for the Minnesota International Center in F.Y. 1992 was \$405,169. The state legislative appropriation for MIC in F.Y. 1992 was \$50,000, which represented 12% of total revenue. The major sources of support for MIC are summarized as follows:

Individual contributions (membership, annual fund and benefit)	37%
Corporate contributions/foundation grants	20
State legislative appropriation	12
Federal grant (United States Information Agency)	5
Contracts, program revenues, fees	26
Total	100%

As demonstrated by the figures above, MIC has strong support from the community and plans to build upon that support for future expansion of programs. The approved budget for F.Y. 1993 is \$427,000. Continuation of state funding is critical to the stability of the organization and represents the state's partnership with the community to strengthen Minnesota's leadership role in an increasingly international arena.

EFFICIENCY MEASURES:

MIC's annual budget is matched dollar-for-dollar by in-kind contributions of office space, equipment, printing, and the time and effort of over 980 volunteers. The MIC Board of Directors is currently completing the development of a 5-year strategic plan which will provide focus for the future direction of the organization and assure that resources are utilized in an efficient manner. In January of 1992, the MIC board contracted with an outside consultant (Currie, Ferner & DeVries) to conduct an audit evaluating the development and fundraising activities of MIC. The three points below were included in the summary report:

"---Extensive services are offered to constituents and the community at large for the size of operating budget...The center can demonstrate a good return on the investment made by the public and private sectors...

---The center is a fiscally responsible and financially sound organization...

---The center can demonstrate a good cost/benefit ratio when the development expense is compared to income from all private sources for general and program purposes: 16% for F.Y. 1991..."

REVENUES:

The legislative appropriation to the Minnesota International Center does not directly generate revenue back to state government. However, as noted earlier, the more than 900 international visitors that come to Minnesota through MIC programs spend an estimated \$1,500,000 on hotels, food, and travel expenses during their stay in the state.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: FISCAL AGENTS
ACTIVITY: MN INTERNATIONAL CENTER

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	38	51	50	51	48	48	50	47	47
TOTAL EXPENDITURES	38	51	50	51	48	48	50	47	47
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	38	51	50	51	48	48	50	47	47
TOTAL FINANCING	38	51	50	51	48	48	50	47	47
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Minnesota Air National Guard Museum
PROGRAM: Fiscal Agents
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

To collect, preserve, interpret and display the history of the Minnesota Air National Guard through:

1. Static display of aircraft restored and marked as they were when flown by the Minnesota Air Guard since its inception in 1921.
2. Educational displays of photographs, documents, memorabilia and artifacts depicting the history of the Minnesota Air Guard.
3. Development of extensive reference library of manuals, documents, correspondence, records, books and magazines relating to or having a bearing on the role and missions of the Air Guard.

Operational and Funding Responsibility:

Operation and funding of the museum on behalf of the 133rd Airlift Wing is the responsibility of the Minnesota Air National Guard Historical Foundation, Inc., a private, non-profit Minnesota corporation. As a Class C Museum in the United States Air Force (USAF) Museum program, the museum conforms to USAF and Guard Bureau directives. Although aircraft, artifacts, etc., are provided by the military, there is no provision for military funding. With the exception of a paid part-time administrator, management and operation of the museum is carried out by volunteers under a volunteer director. More than 200 volunteers (varying from a few hours a month to as much as 10 hours a week) continue to account for the progress of the museum.

Sources of Financial Support:

The current calendar year has seen the first significant change in the source of funding supporting the museum. These sources, with commentary on gain or loss over previous years are as follows:

1. Membership - Continued to provide approximately 18% of annual revenues. Consistent effort to enlarge subscribing support continues to meet with modest success. A more aggressive campaign is scheduled for the near future.
2. Legislative Grant - Provided through the Minnesota Historical Society, the \$20,000 biennial grant continues in the area of 20% of income.
3. Museum Visitors - Largely because the A-12 BLACKBIRD spy plane has resulted in several excellent media appearances, the total number of visitors to the museum is well on its way to doubling this year. As a result, income from visitor donations and Museum Store purchases now accounts for 38.5% of this year's revenues.
4. Private Gifts and Grants - The above gain was offset by a decrease in funds from this source. The drop was from 18% to 5.3%. A study has been made to determine how greater revenues

can be obtained, and an implementing campaign will be undertaken in the Spring of 1993.

5. Fund Raisers - A slightly larger share of revenues was provided by this source-increasing from 18% to 22%. Because of the limited number of appropriate events, the total dollar figure may have leveled; so other activities are being explored.
6. Interest and Dividends - Owing to 2 substantial grants last year, an investment fund of approximately \$30,000 now exists. This is being held to become seed money for a major capital campaign fund to underwrite a planned facility renovation and expansion of office, work and exhibit space. Since the returns from this fund accrue to the investment, it is not reflected in current income.

Facts and Statistics:

Open to Public: Mid-April/mid-September: 11 am - 4 pm, Sat - Sun
October thru March - the 2nd and 3rd Saturdays each month.

Group Conducted Tours: by appointment. Office manned 9 am - 3 pm Mon-Tue-Thu-Fri year round

Number of Visitors:	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
	10,000	10,500	12,500	19-20,000

Among the visitors who sign the Visitors' Book, 37 States, 5 Canadian provinces and 14 foreign countries are represented through August 1992. Because the Blackbird is exhibited outside in our Airpark, it has been noted that many visitors come to view the aircraft but do not enter the museum. Consideration is being given to install a donation booth at the entrance to the parking area to help funding and to give a more full count of visitors.

Future Considerations:

Because of increased activity at the museum, both among visitors and among groups who wish to use the facility for meetings, etc., and because the original museum plans provision for office and work space have proved to be inadequate, a major capital campaign drive is being considered. The proceeds would provide for expanded office, workroom and meeting space by developing a second level in one of the Bays. Development of a Case Statement and a Feasibility Study have been undertaken (funded by an anonymous supporting foundation). Based on information provided by the Feasibility Study, major reorganization of the Minnesota Air Guard Historical Foundation, Inc., has been proposed to provide for great board participation in the operation and governance of the museum. When this has been accomplished, the funding campaign will be re-examined.

Summary and Conclusion:

The purposes for which the museum has been established continue to be served, and interest by the public justifies the effort. The major obstacle to continued progress is the compelling need for additional office, work and meeting space. When the capital funding drive is undertaken, concurrent requests will also be made to the legislature for support.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: FISCAL AGENTS
ACTIVITY: MINN AIR NATIONAL GUARD

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE		20		20	19	19			
TOTAL EXPENDITURES		20		20	19	19			
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		20		20	19	19			
TOTAL FINANCING		20		20	19	19			
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Project 120
PROGRAM: Fiscal Agents
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

Project 120 is an intensive 3-day seminar for high school students at the Minnesota State Capitol complex during the legislative session. It focuses on understanding the 3 branches of state government, emphasizing first-hand observation and personal involvement.

Participants discuss issues with legislators, lobbyists, court officials, executives, administrators, the media, Project 120 instructors, and fellow students. Program activities include lectures, simulations, conference sessions, tours, individual meetings with legislators.

The first goal of the program is to help students understand state government, how it works, and how they as adults can be part of it. The second goal is to have students from diverse racial, geographic, and economic backgrounds come together to know, understand, and respect each other.

When students have a positive engagement with real world matters like government, law, and politics, they feel empowered and learn they can make a difference.

BUDGET ISSUES:

The program has received level funding (\$69,000) each year since 1988. The request for F.Y. 1994-95 has been limited to 95% of this base (\$65,550).

Program evaluation results in 1992 were very positive and called for increasing the length of each seminar and the number of students to be served. Project staff would like to double the number of students to be served. If sufficient private support can be found, the length of each seminar will be extended from 3 to 4 days and the number of seminars increased from 7 to 14.

EFFICIENCY MEASURES:

During the 1992 Legislative Session, the Institute for Learning and Teaching assumed responsibility for managing Project 120. Seven weekly seminars were held beginning February 17 and ending April 1. From 78 Minnesota communities, 63 schools, and 43 legislative districts, a total of 174 students participated (67% female, 33% male). Fourteen percent were from the Twin Cities, 86% were from Greater Minnesota.

Nineteen percent were from minority groups:

- 12 Native Americans
- 9 African Americans
- 6 Hispanics
- 5 Asians
- 1 International student from Europe

\$9,000 in scholarship assistance was given to 89 students (51%). They ranged from \$25 to \$200; the average was approximately \$100. Actual cost to operate the program was \$637 per student.

REVENUE:

This activity generates dedicated revenue in the form of student fees to partially defray program expenses and the cost of their room and board. In 1992 a \$200 per student fee produced \$26,655, 24% of the revenue needed to operate the program.

State funds provide 62% of the budget and were supplemented by foundation grants and support from individuals primarily in the form of scholarship support to allow more students with financial need to attend.

As a result of reduced state funding, increasing the number of students served and the length of each seminar, increased program costs will have to be offset by increasing student fees and by obtaining additional support from foundations and individuals.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: FISCAL AGENTS
ACTIVITY: PROJECT 120

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	69	69	69	69	66	66	69	66	66
TOTAL EXPENDITURES	69	69	69	69	66	66	69	66	66
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	69	69	69	69	66	66	69	66	66
TOTAL FINANCING	69	69	69	69	66	66	69	66	66
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Minnesota Military Museum
PROGRAM: Fiscal Agents
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

The mission of the Minnesota Military Museum is to preserve and interpret military history as it has been experienced by Minnesotans. To achieve this, the museum:

1. Collects, preserves and displays artifacts, photographs, documents, and art that illustrate 1) military activity in which Minnesotans have played an important role; 2) the history of Minnesota's frontier forts, especially old Fort Ripley (1849-1877) and Camp Ripley (1930-present); and 3) Minnesota's state forces (National Guard, militia, State/Home Guard).
2. Provides library and referral services to persons seeking information about Minnesota's military history.

As an activity the museum strives to enhance public understanding of, and appreciation for, the contributions and sacrifices made by Minnesotans who have served in the Armed Forces, and for those who lent support on the home front. The general public accounts for approximately 85% of the people served; the remaining 15% are mostly Minnesota National Guardsmen training at Camp Ripley.

BUDGET ISSUES:

The budget picture is disconcerting. After 6 years of very hard but successful effort, leading to significant growth and improvements, the museum will likely be forced to reduce its program activity in the upcoming biennium. Four major factors cause this: 1) the museum's legislative allotment has not been increased in the past 8 years, in spite of increased costs; 2) the grant in fact may now be reduced; 3) donations from veterans' organizations, which have constituted the single largest source of non-government operating funds for the past 3 years--mainly as a result of charitable gambling--are going down because charitable gambling has become less profitable for those organizations.

In effect, the museum faces the real prospect of losing about 25% of its operating revenue in the upcoming biennium. Unless a new source of funding or support can be found, the museum will be forced to adopt some combination of the following: 1) charge mandatory admission rather than ask for donations at the door; 2) further reduce the number of days the museum is open to the public (limited finances already forced us this summer to cut back the number of days from 6 to 5 days weekly); 3) slash spending in discretionary areas--e.g., make no exhibit changes or improvements, reduce upkeep on the building and grounds; 4) decline requests for special services, such as school tours during the off season and traveling exhibits; 5) defer plans for a building addition which is urgently needed to properly store the growing collection of artifacts and archives; and 6) set aside hopes to employ a museum director who is full time.

EFFICIENCY MEASURES:

	F.Y. 1988	F.Y. 1990	F.Y. 1992
No. of yearly visitors	9,750	14,846	14,000
Cost per visitor	\$3.62	\$2.98	\$3.24
No. of cataloged items in collection (cumulative)	4,505	7,100	9,565
Cost per cataloged item	\$7.87	\$6.33	\$4.77
Cost to develop and maintain exhibits and collections as percent of total operating cost	13.9%	10.7%	17.5%
Cost of staff compensation as percent of total operating cost	20.6%	31.7%	43.6%
Government funding as percent of total operating revenue	66.6%	31.7%	37.2%
Cash donations as percent of total operating revenue	29.7%	55.7%	33.2%

REVENUE:

Dollars in Thousands

	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
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Type of Revenue:

Non-restricted					
Cash donations	\$12	\$12	\$10	\$8	\$8
Interest income	1	1	1	1	1
Net store sales	4	6	5	5	5
Restricted (Bldg fund)	none	\$46	\$20	1	1

Cutbacks in hours or exhibit development, if implemented, may result in donations and net store sales which are lower than the figures projected above for 1994-95 because of the dampening effect these measures could have on attendance.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: FISCAL AGENTS
ACTIVITY: MN MILITARY MUSEUM

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE		30		30	29	29			
TOTAL EXPENDITURES		30		30	29	29			
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		30		30	29	29			
TOTAL FINANCING		30		30	29	29			
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Greater Cloquet - Moose Lake Forest Fire Center
PROGRAM: Fiscal Agents
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

This was a one time grant to the City of Cloquet in F.Y. 1993 to complete planning and design for development of the Forest Fire Center.

No funds are requested for the F.Y. 1994-95 biennium.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: FISCAL AGENTS
ACTIVITY: CLOQUET-MOOSE LK FOREST FIRE CENTE

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE			20						
TOTAL EXPENDITURES			20						
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL			20						
TOTAL FINANCING			20						
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

BUDGET ACTIVITY: Museum of the National Guard
PROGRAM: Fiscal Agents
AGENCY: Minnesota Historical Society

ACTIVITY DESCRIPTION:

This was a one time contribution in F.Y. 1992 from the state of Minnesota to the Museum of the National Guard in Washington, D.C.

No funds are requested for the F.Y. 1994-95 biennium.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: FISCAL AGENTS
ACTIVITY: MUSEUM OF THE NATIONAL GUARD

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE		25							
TOTAL EXPENDITURES		25							
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		25							
TOTAL FINANCING		25							
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

AGENCY: Minnesota Humanities Commission (MHC)

MISSION:

The Minnesota Humanities Commission preserves and renews the commitment to education which is at the heart of the values and aspirations of the people of Minnesota. As an expression of that commitment, the MHC rewards and encourages exemplary teaching, provides opportunities for teacher renewal, supports cultural organizations active in lifelong learning, and fosters collaboration among cultural and educational groups. Through such means, the MHC ensures that future generations of Minnesotans will share a love of learning, a belief in participatory government, and a commitment to public life.

The Humanities Commission conducts a Teachers Institute which has the following objectives:

- to provide continuing education in subject content;
- to introduce teachers to varied teaching styles and methods;
- to provide teaching resources for teachers;
- to recognize and reward excellence in teaching; and
- to renew teachers both personally and professionally.

The Commission conducts a Lifelong Learning Institute which has these objectives:

- to provide grants for public education projects;
- to provide speakers who are expert on international topics statewide;
- to circulate educational exhibits throughout the state;
- to promote literacy and better family relationships through MOTHEREAD and FATHEREAD, a family reading program; and
- to teach pre-natal care and parenting skills through BABY READY and BABY STEPS, humanities and public health programs.

MINNESOTA MILESTONES:

Through its work, the Minnesota Humanities Commission supports Minnesota Milestone categories "A Caring and Secure Community," "Our Surroundings," and "Learning." Specifically, the MHC conducts programs that address the following Milestone goals:

- families will provide a stable environment for their children;
- We will welcome, value and respect people of all cultures, races and ethnic backgrounds.
- people will have the ability to participate in the cultural life of the community;
- Minnesotans will act to sustain and enhance the living world.

- Minnesotans will have the skills for lifelong learning and good citizenship.

The Humanities Commission is the state's lead agency in traveling education programs for adults.

The Humanities Commission is a key state agency for national adult education programs and a clearing house for Minnesotans who plan and conduct adult education in the humanities.

The Humanities Commission is also the state's lead agency in teacher renewal. In its work in public education reform, the commission employs the adage "reach a teacher and thus reach a thousand children."

Given its size, the Humanities Commission cannot claim to play a lead role in public health programming. It is, however, a laboratory for new ideas and for the introduction of innovative programs from other states which enrich and strengthen the educational work of other agencies.

CLIMATE:

The Humanities Commission plans its programs in cooperation with its client population, primarily, the adult, out-of-school public. Other factors that determine the commission's activities:

Education Reform: That the K-12 system is in need of reform is no longer under debate. The state of Minnesota is addressing the problems through structural and governance changes in the schools and through school choice.

Cultural diversity: Minnesota's population, as well as that of the United States', is rapidly becoming more diverse. The school population in Minneapolis and St. Paul schools is more than 50% children of color. The work force is changing and new hires in the next century will be overwhelmingly female and people of color. Rather than work to understand one another, groups are becoming more and more fractionalized and isolated.

Grantsmanship: Community programs need money, but because many groups and organizations in Minnesota do not understand the grants process, they are unable to compete for available funds.

Aging Population: Minnesota's over-65 is among the highest per capita in the country. The older adults in rural communities and nursing homes have little opportunity to participate in the state's cultural and educational richness.

Family violence: Violence to children is increasing, or at least being reported more often. Children are physically and emotionally abused by parents who do not have the ability to cope with poverty, drugs, and domestic tension. To date, programs designed to address the problem do not appear to be successful.

Teen-age pregnancy: Low birth-weight babies are born to girls who have had no pre-natal care and no notion of how to care for a new-born. Health Department representatives say that the current programs are not effectively addressing the population that most need information.

Federal legislation: Federal policy mandates a state humanities agency to receive and administrate an annual block grant.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMANITIES COMMISSION
PROGRAM: HUMANITIES COMMISSION
ACTIVITY: HUMANITIES COMMISSION

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	172	247	237	242	230	230	242	230	230
TOTAL EXPENDITURES	172	247	237	242	230	230	242	230	230
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	172	247	237	242	230	230	242	230	230
TOTAL FINANCING	172	247	237	242	230	230	242	230	230
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: HUMANITIES COMMISSION

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	237	237	237	237				
TECHNICAL ADJUSTMENTS								
1992 SESSION REDUCTIONS	5	5	5	5				
SUBTOTAL TECH. ADJ.	5	5	5	5				
CURRENT SPENDING	242	242	242	242				
AGENCY BASE	242	242	242	242				

Board of Arts

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	13.0	13.0
Federal	<u>3.0</u>	<u>3.0</u>
Total Permanent Positions	<u>16.0</u>	<u>16.0</u>
TOTAL Positions	<u>16.0</u>	<u>16.0</u>
Employees on 6/30/92	16.0	

Employees by Employment Status:
--

	<u>6/30/92</u>
Full-Time Unlimited	<u>16.0</u>
TOTAL	<u>16.0</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Arts, Board of

Fund: General

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$4,043	\$4,043	\$8,086
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$4,043	\$4,043	\$8,086
Inflation Cost Increases	19	38	57
Agency Management Decisions			
Across-the-board	\$(27)	\$(27)	\$(54)
Grants-Across-the-board	(193)	(212)	(405)
Subtotal	<u>\$(220)</u>	<u>\$(239)</u>	<u>\$(459)</u>
TOTAL AGENCY PLAN	\$3,842	\$3,842	\$7,684
Governor's Initiatives			
Local Area Network	\$200	\$-0-	\$200
Salary Planning Estimates	(17)	(17)	(34)
Subtotal	<u>\$183</u>	<u>\$(17)</u>	<u>\$166</u>
GOVERNOR'S RECOMMENDATION	<u>\$4,025</u>	<u>\$3,825</u>	<u>\$7,850</u>

Brief Explanation of Agency's Overall Actions:

Agency Operations: The Arts Board has made reductions in its administrative budget each year since F.Y. 1991. The agency takes modest pride in its ability to administer a considerable number of high quality programs and services to the citizens of Minnesota at a minimal cost. Current state general funding provides only enough support to maintain the agency's state complement and rental of office space. The agency uses federal dollars to cover virtually all other administrative expenses.

Minnesota arts organizations across the state are facing a financial crisis. Due to this situation, we anticipate greater demands for applications, technical assistance needs from artists and arts organizations, and the accountability factors involved in grantmaking. The F.Y. 1993 staff complement will not be reduced during the next biennium.

To further reduce the internal administrative costs of the agency, all staff members, regardless of job descriptions, will participate in nominating and evaluating cost containment proposals for implementation, in consultation with the Arts Board's governing body. Already quite efficient, the Arts Board's panels and granting systems will be further streamlined to allow for delivering grants

at the lowest possible administrative cost. The focus will be on a system which has the capacity to re-grant larger sums of money, when available, at little or no additional administrative costs.

To maximize the effect of limited resources on the Minnesota Milestones objectives, primary emphasis will be placed on programs which enable or improve public access to and attendance at arts events in Minnesota. All agency programs will adhere to this principle.

Grants: To avoid causing hardships among various constituents, the 5% reduction to base level funding will be allocated among programs on an across-the-board basis. Each sub-program and service will be evaluated on a cost-to-operate versus benefit basis, with temporary or permanent suspension of any small grants programs which, after 5% reductions, will no longer be feasible to operate on a statewide basis.

The Arts Board will obtain all practical re-granting funds available on a formula or competitive basis from the National Endowment for the Arts. Passing federal funds on to constituents will be the primary motivation for this philosophy, acknowledging that creative approaches to fundraising must include raising resources for the Arts Board itself.

2. Impact on Staffing:	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	
None.	0.0	0.0	
3. Impact on Revenue Generation:	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
<u>Agency Plan</u>	\$-0-	\$-0-	\$-0-
<u>Governor's Initiatives</u>	\$-0-	\$-0-	\$-0-
4. Affected Statutes:			
None.			
5. Governor's Recommendation:			

The Governor recommends funding levels as requested in the agency's plan except for the following adjustments: A biennial increase of \$200,000 for a local area network and a reduction due to revised salary planning estimates.

1994-1995 B I E N N I A L B U D G E T
 INVESTMENT INITIATIVES
 (DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD

ITEM DESCRIPTION:	FUND	EXPENDITURES			REVENUES		
		FY 1994	FY 1995	BIENNIUM	FY 1994	FY 1995	BIENNIUM
(A) SALARY PLANNING ESTIMATES	GEN	<17>	<17>	<34>			
(B) LOCAL AREA NETWORK	GEN	200		200			
TOTAL BY FUND	GEN	183	<17>	166			
TOTAL INVESTMENT INITIATIVES		183	<17>	166			

1994-95 Biennial Budget

AGENCY: Arts, Board of

MISSION:

The Minnesota State Arts Board seeks to enhance the quality of life in Minnesota by supporting ongoing creative activity, encouraging new forms of artistic expression, and preserving our artistic heritage.

The agency exists to administer grants and other services to a statewide arts community. The primary beneficiaries of the agency are the citizens of Minnesota. Direct funding and services are provided to individual artists, schools, arts organizations, universities, and colleges that in turn produce arts activities that serve the people of Minnesota. The Arts Board also works with 11 in-state Regional Arts Councils to implement a decentralized regranting system which reaches all citizens in Minnesota.

The Arts Board strives to fulfill its mission through a combination of granting activities, arts program development, preservation of traditional arts, and direct services to artists, educators, and arts organizations. Governed by an 11 member appointed board, the Arts Board staff is directed to work toward achieving the agency's mission by accomplishing the following goals.

1. To support the professional development and artistic growth of Minnesota's individual artists.
2. To encourage and promote the public's understanding of Minnesota's folk arts heritage.
3. To augment the funding base for the arts in Minnesota through partnerships with government, the public sector, and the private sector.
4. To participate in the leadership of state, regional, or national cultural organizations.
5. To make the arts available to all citizens by working in partnership with Minnesota's 11 Regional Arts Councils.
6. To plan and implement a series of new cultural diversity initiatives.
7. To foster two-way communication with the public and arts constituency.
8. To provide operating support to Minnesota's medium and large, nonprofit arts institutions.
9. To demonstrate the value of art-in-public-places projects to the citizens of Minnesota.
10. To nurture the arts in public educational settings.
11. To help make the arts accessible to Minnesota's diverse public through statewide touring programs and other incentives.
12. To operate and administer an administrative office which is accountable to the citizens of Minnesota and other funding sources.

MINNESOTA MILESTONES:

The work of the Arts Board supports 4 of the major Milestones themes: A Caring and Secure Community, Learning, We the People, and A Prosperous People. The agency's work directly relates to the following Milestone goals:

- We will increase participation in the cultural and recreational life of the community;
- Rural areas, small cities and urban neighborhoods throughout the state will be economically viable places for people to live and work;
- Minnesotans will have the skills for lifelong learning and good citizenship; and
- We will welcome, value and respect people of all cultures, races and ethnic backgrounds.

The Arts Board contributes to these Minnesota Milestone goals by:

- Providing support to schools and educational institutions to hire artists to educate children;
- Providing limited financial support to more than 50 medium and large arts organizations to ensure a stable operating base;
- Serving as fiscal agent to 11 decentralized Regional Arts Councils which develop and implement operating plans to serve citizens in rural Minnesota;
- Obtaining federal and private grants to deliver to arts organizations for special projects and services with a lasting impact on the arts at a community level;
- Providing seed money to foster tours by arts organizations on a statewide basis;
- Maximizing attendance statewide through grants to regional presenters with effective track records in marketing to the public;
- Publishing statewide rosters of traditional (folk) artists, and artists specializing in arts education to facilitate their employment;
- Maintaining a statewide mailing list for newsletters, publications, and press advisory about grants and services available;
- Maintaining an incentive program to establish funding and self-reliance at the local, city, and county governmental levels;
- Requiring by contract that arts organizations receiving public support must provide educational opportunities to the citizens of Minnesota;
- Recruiting the volunteer services of 179 private citizens from diverse geographic locations and ethnic backgrounds for advisory panels and task force planning;
- Establishing a new cultural pluralism goal, objectives, and strategies that involve people of color in every aspect of the agency's work.

AGENCY: Arts, Board of
(Continuation)

CLIMATE:

The following factors are shaping the development of policies and programs at the Minnesota State Arts Board.

An Economic Crisis Among Major Arts Institutions: Minnesota's \$1 billion statewide arts economy is tied directly to the budget stability of approximately 75 established arts institutions. Forty-percent of these institutions experienced a deficit in F.Y. 1992-93, and over 40% now have accumulated a deficit which has yet to be retired. The Arts Board is one of the few sources for operating grants which provides stability to the shrinking base for these institutions.

Changing Patterns of Business and Foundation Support for the Arts: Minnesota's business and foundation support for the arts leads the nation. However, for the previous 2 fiscal years, aggregate giving levels have increased by only 5%, the smallest increase in memory. Also, corporate and foundation giving has turned dramatically away from traditional arts programming and towards new social, economic, and rural development goals. The arts community is very worried that the core programming and facility operating expenses are being taken for granted by funders, and severe cut-backs in programming are being planned or implemented by arts organizations.

Season Ticket Sales/Earned Income is Down for Major Arts Groups. In the past 3 years, Minnesota arts groups have reported unprecedented declines in season ticket sales, the primary source of pre-paid assets for most performing arts groups. Several prominent theater companies have announced in October 1992 that they intend to substitute previously-mounted shows for announced shows, or to shorten seasons to curb expenses. The recession in Minnesota, and high competition for recreational dollars are major factors in this significant downturn in traditional purchasing by the frequently attending Minnesota public.

Rural Touring Loses Money in Minnesota. In the past, arts organizations could expect to earn income or at least break even on the costs of touring within Minnesota. The increased costs of transportation, salaries, and the printing of promotional materials, as well as the lack of an organized network of presenters in Minnesota, have led to the current situation where touring produces deficits for most arts groups in Minnesota. The national tours which are necessary for our largest arts groups to obtain recording contracts are also losing money; according to the American Symphony Orchestra League, only 1 American Orchestra mounted a national tour in 1992 which met its expenses (the Saint Paul Chamber Orchestra). Subsidies from the Arts Board are suggested as the only solution to make presenting affordable to rural concert halls.

Governmental Financial Support Runs 5% Behind the National Average in Minnesota. The average professional arts organization in most states receives up to 10% of its annual operating budget from governmental support. Federal arts grants to Minnesota are exceeding expectations. Among the states, Minnesota received the 10th largest per-capita support from the National Endowment for the Arts in F.Y. 1992. City and county appropriations to major arts groups are very rare, and Arts Board grants average 2.2% of the budgets of major institutions. The arts community argues that it must compete nationally with other states in which subsidies average 100% higher, and

many organizations feel they are losing their competitive edge for garnering recording contracts, star-caliber guest artists, and high quality employees.

Arts Education is Declining in Minnesota. Many school districts, facing their own financial challenges, have drastically reduced arts education opportunities for students. School officials express the need for more teachers trained in the arts, and the consolidation of schools and the reduction in extra-curricular activities is leading to a decline in arts specialists. The argument remains that children as people need exposure to the arts, not only for human development, but to stimulate the creative intellect to comprehend math, science, and social studies. Few schools have integrated the arts into the curricula, and most fear that without Arts Board grants, the number of visits by artists to the schools will decline drastically in the next 2 school years.

Artists Remain An Under-Employed Workforce in Minnesota. According to the Research Division of the National Endowment for the Arts and the U.S. Bureau of Labor and Statistics, Minnesota has 20,000 professional artists. Census figures indicate that unemployment rates for artists (5.3%) are higher than for other professional occupations. Certain professions in the arts experience greater hardships, with actors/directors experiencing unemployment rates up to 15.7%. The St. Paul fundraising organization, United Arts, reports that average Minnesota artists earn less than \$15,000 annually from their professions. The U.S. Census Bureau reports that the average member of the nationwide artistic workforce earns weekly incomes of only \$415. According to the American Council on the Arts, the average artist is less likely to have insurance than any other person in their income level. The Columbia University Research Center reports that 76% of artists had to work at other non-artist jobs. Less than half of all artists have retirement plans.

Technical Assistance Requests Are Increasing. Due to economic hardships and competition, the Arts Board served a record-breaking number (3,050) of requests for mailing lists, printed labels, workshops, and consultations to identify alternative funding sources, arts markets, grants opportunities, and case studies for increasing donated and earned revenue sources. Technical assistance is labor-intensive, and less visible than grants-making services. Few other sources for comprehensive technical assistance are available outside of the staffs of the Arts Board and the 11 Regional Arts Councils.

AGENCY BUDGET PLAN:

Several overview decisions will guide the Arts Board's budget plans and allocations for F.Y. 1994-95.

- **Reductions On An Across-The-Board Basis.** To avoid causing hardships among various constituents, the 5% reduction to base level funding will be allocated among programs on an across-the-board basis.
- **Cost-Benefit Analysis Within Program Headings.** Each sub-program and service will be evaluated on a cost-to-operate versus benefit basis, with temporary or permanent suspension of any small grants programs which, after 5% reductions, will no longer be feasible to operate on a statewide basis.
- **Maximum Available Funds From Federal Government.** The Arts Board will obtain all practical regranteeing funds available on a formula or competitive basis from the National Endowment for the Arts. Passing federal funds on to constituents will be the primary motivation

1994-95 Biennial Budget

AGENCY: Arts, Board of
(Continuation)

for this philosophy, acknowledging that creative approaches to fundraising must include raising resources for the Arts Board itself.

- **Cost Containment Meetings Internally With Board And Staff.** To trim further the internal administrative costs of the agency, all staff members, regardless of job descriptions, will participate in nominating and evaluating cost containment proposals for implementation, in consultation with the Arts Board's governing board members.
- **Streamlined Management of Grants Panels to Accommodate Increased Funding, When Available.** Already quite efficient, the Arts Board's panels and granting systems will be further streamlined to allow for delivering grants at the lowest possible administrative cost. The focus will be on a system which has the capacity to regrant larger sums of money, when available, at little or no additional administrative costs.
- **All Costly Memberships in National and Regional Service Organizations will be Evaluated Based on Benefits to Constituents.** The two most costly memberships (Arts Midwest and National Assembly of State Arts Agencies) are thought to bring significant returns on investments to Minnesota, especially in terms of federal or private funds redistributed to Minnesota-based artists and arts sponsors. The Minnesota-based groups will be involved in evaluations which will lead to decisions about continuing these memberships.
- **Public Access to the Arts a Primary Focus of All Grants.** To maximize the effect of limited resources on the Minnesota Milestones objectives, primary emphasis will be placed on programs which enable or improve public access to and attendance at arts events in Minnesota. All agency programs will adhere to this principle.
- **Maintain the Staffing Level for the Agency.** Due especially to the accountability factors involved in grant-making, and due to the increasing requests for technical assistance from artists and groups, the Arts Board will budget to retain its current staffing level.
- **Joint Needs Assessments with Regional Arts Councils.** Beginning in the fall of 1992, the Arts Board will consider new joint programming ventures, funded primarily by the federal or private sectors, based upon statewide needs assessments. Particular attention will be paid to the needs of both service providers (arts organizations) and the attending public, especially in rural locations.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's plan except for the following adjustments: A biennial increase of \$200,000 for a local area network and a reduction due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD

PROGRAM RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
OPERATIONS & SERVICES	1,018	893	961	887	858	1,041	842	813	796
GRANT PROGRAMS	3,207	2,530	2,524	2,467	2,366	2,366	2,467	2,366	2,366
REGION ARTS FISC AGENT	1,553	1,498	1,532	1,506	1,380	1,380	1,506	1,335	1,335
TOTAL EXPENDITURES BY PROGRAM	5,778	4,921	5,017	4,860	4,604	4,787	4,815	4,514	4,497
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,278	3,951	4,035	4,043	3,842	4,025	4,043	3,842	3,825
STATUTORY APPROPRIATIONS:									
GENERAL		8	5						
FEDERAL	651	879	778	772	717	717	772	672	672
GIFTS AND DEPOSITS	849	83	199	45	45	45			
TOTAL FINANCING	5,778	4,921	5,017	4,860	4,604	4,787	4,815	4,514	4,497
POSITIONS BY FUND:									
GENERAL	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
FEDERAL	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL POSITIONS	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: ARTS BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	5,017	5,017	4,040	4,040	199	199	778	778
<u>TECHNICAL ADJUSTMENTS</u>								
ONE-TIME APPROPRIATIONS	25	<20>	<20>	<20>	45			
APPROPRIATIONS CARRIED FWD	<205>	<205>			<199>	<199>	<6>	<6>
BASE TRANSFER (BTWN AGENCIES)	<5>	<5>	<5>	<5>				
DOCUMENTED RENT/LEASE INC/DEC	25	25	25	25				
INSURANCE PREMIUM HOLIDAY	3	3	3	3				
SUBTOTAL TECH. ADJ.	<157>	<202>	3	3	<154>	<199>	<6>	<6>
CURRENT SPENDING	4,860	4,815	4,043	4,043	45		772	772
<u>FORECAST ADJUSTMENTS</u>								
FEDERAL RECEIPTS	<55>	<100>					<55>	<100>
SUBTOTAL FORECAST ADJ.	<55>	<100>					<55>	<100>
AGENCY BASE	4,805	4,715	4,043	4,043	45		717	672

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1994-95 Biennial Budget

PROGRAM: Operations and Services, Developing Programs
AGENCY: Arts, Board of

PROGRAM PURPOSE:

This program allows the agency to maintain its administrative offices, its governance and staffing structures, a system of citizen advisory panels, a system of public information services and publications, and the administration of all programs and technical services provided to the statewide arts community. In addition, this program provides limited resources to fieldtest new pilot ventures designed to target special audiences in Minnesota.

The agency is governed by an 11-member board appointed by the Governor of Minnesota, and confirmed by the Senate. To ensure comprehensive geographic representation, 8 members serve from Congressional districts, and 3 members serve the state at-large. The governing board is responsible for establishing policy, adopting plans and budgets, awarding grants, and for maintaining a public forum in which problems which face the arts community may be studied and solved.

The agency is staffed by 16 professional and clerical employees. The agency's staff composition includes 1 executive director, 1 assistant director, 5 program associates, 1 accounting officer, 1 public information officer, 1 public information assistant, 1 grants officer, 1 grants office assistant, 1 office services supervisor, and 3 support staff in clerical positions. The staff implements the plans of the agency, manages all programs and services, supplements state appropriations through grant applications to the private sector and the federal government, and maintains records and data systems to maximize accountability for the public.

The Arts Board has adopted the following goals to guide the Operations and Services programs of the agency:

To augment the funding base for the arts in Minnesota through partnerships with government, the public sector, and the private sector.

To participate in the leadership of state, regional, or national cultural organizations.

To plan and implement a series of new cultural diversity initiatives.

To foster two-way communication with the public and arts constituency.

To operate and administer an administrative office which is accountable to the citizens of Minnesota and other funding sources.

The Operations and Services Program of the Arts Board relates directly to the following Minnesota Milestones.

We will increase participation in the cultural and recreational life of the community;

Rural areas, small cities and urban neighborhoods throughout the state will be economically viable places for people to live and work;

Minnesotans will have the skills for lifelong learning and good citizenship; and

We will welcome, value and respect people of all cultures, races and ethnic backgrounds.

PROSPECTS:

Reauthorization of The National Endowment for the Arts is Not Assured: Congress will begin hearings in 1993 leading to Reauthorization of the National Endowment for the Arts (NEA) in F.Y. 1994 and beyond. The NEA provides approximately \$6 million annually to the Minnesota arts community, including an annual "Basic State Grant" (BSG) to the Arts Board. For many years, the Arts Board has used a large portion of this BSG for administrative expenses, allowing state appropriations to be focused directly on grants to constituents. The NEA has been targeted by political forces for the past 3 years, and Reauthorization is expected to be contested. The loss of NEA funds for agency administrative costs would affect all facets of operations.

New Federal Grants Programs Require Matching Funds From State Arts Agencies: Several new federal grants categories supply funds for underserved communities such as rural, inner-city, aging, and disabled audiences. All of these categories require matching funds from state arts agencies. New state appropriations are one source for matching funds, as well as grants from private foundations. In either case, special new set-aside funds will not be available to Minnesota without increased matching commitments from governmental or private funding partners.

Office Space Limitations: The Minnesota Historical Society has leased space to the Arts Board for more than a decade in the historic Burbank Livingston Griggs House in Saint Paul. Although the terms have been affordable, the limitations of building have become more apparent each year. The facility is not in compliance with the Americans With Disabilities Act, and Historical Society officials indicate that funds are not available to move the facility into compliance. The facility is not air conditioned, which causes increasing technical problems with the operations of personal computers, printers, and copying machines. Consultants indicate that more than \$1 million is needed to repair or restore the building, which contains badly deteriorating antique interiors relocated to the United States by previous owners. The structure is badly suited to function as an administrative center for the agency.

The Agency's Information Technology is Outdated: The Arts Board has pushed existing staff expertise, software, hardware, and resources to its limits. The obstacles include an inability to share wordprocessing files, to share data files, to merge existing data files with word-processing functions, to merge agency financial and granting files, and to exchange and share information with and among the 11 Regional Arts Councils across the State of Minnesota, our constituents, and other state agencies.

The Demand for Publications Exceeds the Supply: In the past 3 bienniums, the Arts Board has cut its printing budget in half while more than doubling the numbers of publications. For example, in F.Y. 1985, the Arts Board's printing budget was \$40,000 and we produced 7 publications. In F.Y. 1992, the printing budget was \$34,000 and we produced 15 publications, including several newly "combined" publications to save money. Having reached the practical limits of our printing budget, increased printing costs are forcing the agency to curb circulation, while demand for publications continues to increase. In F.Y. 1992, the agency received a record number of requests (2,800) from the arts community for grants brochures and publications.

Panel Costs Continue to Rise: The Arts Board manages an efficient system of advisory panels which include qualified citizens, professional artists and arts administrators, and departmental representatives to develop recommendations for grants, policy, cultural diversity planning, and purchases of art for installation in public buildings. Approximately 180 people serve 1-year terms on panels. Panelists receive no salaries, and are reimbursed for expenses at the "state rates." The Arts Board's processing system is very efficient, and could award considerably more funds without an appreciable increase in processing costs. Panel operating costs increase annually due to increased costs of travel, hotel accommodations, site visits, duplication costs of grant applications, and food. Geographic and cultural diversity issues have led to a growth in the number of panelists.

1994-95 Biennial Budget

PROGRAM: Operations and Services, Developing Programs
AGENCY: Arts, Board of
 (Continuation)

F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

Media Coverage for the Arts Needs Improvement: To accomplish the Milestone for increased participation in the arts, the media will need to increase coverage for the arts, and individual artists and smaller organizations, especially those from underserved communities, will need more recognition and promotion to the community. This problem is due, in part, to a lack of commitment by the media, and a lack of expertise or time for arts organizations or individuals to provide information and statistics to report about the arts.

Rural Arts Development Needs More Attention: Rural arts organizations are predominantly served by volunteers who require more access to technical assistance and training than is currently available. Rural arts leaders emphasize that their educators, artists, and arts organizations do not have the ready access to financial resources, professional role models or advisors, arts publications, or training seminars which are more readily available in the Twin Cities metropolitan area. Information services are highly valued by these constituents, and the Arts Board is seen as a dependable source of information and technical services.

OUTCOMES:

Using F.Y. 1992 as a benchmark, the following data summarizes the outcomes of the Arts Board's service in this program area:

1. Number of Constituent Data Records Maintained: (46.2% higher than F.Y. 1991).	12,913
2. Number of Grant Applications Processed:	953
3. Number of Requests for Grant Applications:	2,800
4. Full Arts Board or Committee Meetings:	10 (28 Hours)
5. Total Number of Citizens Serving on Advisory Panels:	179
6. Total Number of Hours Donated by Advisory Panelists:	5,043
7. Number of Publications Produced for Circulation:	15
8. Total Number of Publications Circulated:	46,035
9. Telephone Inquiries Logged by Support Staff:	8,372
10. Federal and Private Funds to Augment State Appropriation:	\$1.2 million or 24% of the agency's total budget.

OBJECTIVES:

The Arts Board will maintain the following standards of service during F.Y. 1994-95:

■ Constituent records served and maintained annually	12,913	13,000	13,000	13,000
■ Numbers of grant applications processed	953	1,000	1,100	1,150
■ Numbers of grant applications requested	2,800	2,900	3,000	3,100
■ Public meetings of the governing board	10	10	10	10
■ Private citizens serving on advisory panels	179	180	200	200
■ Total hours of service donated by volunteers	5,043	5,100	5,500	5,500
■ Number of publications serving the public	15	15	12	12
■ Total printed items circulated	46,035	46,000	32,035	32,035
■ Logged telephone inquiries by public	8,372	8,400	8,500	8,500
■ Private/federal funds raised by Arts Board (in millions)	\$1.2	\$1.3	\$1.4	\$1.5

PROGRAM PLAN:

1. Concerning the funding base for operations and services:
 - National Endowment for the Arts grants categories will be scanned for funds available to Minnesota. We will seek to increase the annual total by \$100,000 during the next biennium.
 - Partnerships will be sought with at least 3 private foundations. Priority will be placed on using private funds to match federal funds during the next biennium.
2. Concerning communications with the public:
 - We will produce a new communication plan for the agency.
 - We will curtail discretionary publications to focus the remaining resources on grants brochures and applications necessary to maintain the core functions of the agency.
 - We will step up recruitment efforts to increase by 10% the numbers of African American, Native American, Hispanic, and Asian populations of Minnesota serving on Arts Board panels.

1994-95 Biennial Budget

PROGRAM: Operations and Services, Developing Programs
AGENCY: Arts, Board of
(Continuation)

- We will maintain an agency library, reference files, and clippings for use by the public and the arts community.
 - A 2-year agency calendar will be created to inform the public of all deadlines, meeting dates, and activities.
3. Concerning the administrative offices and expenses of the Arts Board, the following objectives will be in effect:
- Anticipating greater demands for applications and technical assistance, the F.Y. 1993 staff complement will not be reduced during the next biennium.
 - More consolidation of business meetings will occur, with less reliance on subcommittee meetings. At least 1 business meeting will be in Greater Minnesota, including a meeting with regional arts leaders.
 - No further expansion of advisory panels will occur during the F.Y. 1994-95 biennium. Where possible, federal funds will be obtained to assist in the costs of task-force panels, such as Cultural Pluralism.
 - Travel within Minnesota, and to other locations, will be closely evaluated for benefits obtained. Coordinated, multi-purpose travel will be the priority, and fundraising visits will receive priority. Telephone communication will receive priority.
 - A 1-800 phone service will be installed to assist constituents in communications with the Arts Board.
 - All memberships in service organizations will be re-evaluated on a "return on investment" basis.
4. Concerning cultural diversity in Minnesota, the Arts Board will:
- Foster the participation of people of color on the staffs, boards, panels, or artistic productions of Minnesota's arts organizations.
 - Conduct a multicultural conference in Minnesota on the subject of cultural pluralism, including an arts showcase.
 - Increase the financial support for cultural pluralism programming within Minnesota by raising federal funds for re-granting.
- The Operations and Services of the Arts Board contribute highly to 4 Minnesota Milestone goals. To maximize progress, the Arts Board recommends an increase of \$250,000 in state funds for this programming component, which would have the following beneficial effects during F.Y. 1994-95:
- Increase the number of printed grant applications for individuals by 30%, allowing wider distribution of information to rural and underserved communities.

- Introduce an "Arts Hotline," a 24-hour recorded service of messages for each of the 11 regions of the state. Information will include arts calendar updates, grants and services information, and funding opportunities offered by federal agencies and private foundations nationally.
- Introduce "Arts Board on the Road," placing all Arts Board programming associates and the assistant director in 6 rural "hub" locations for a day of intensive discussions with area arts leaders, teachers, artists, and private citizens.
- Triple the number of Grants Guides and Exhibit Guides printed and distributed to all Minnesota artists and arts service organizations.
- Produce new guides about successful arts residencies in Minnesota schools, insurance and health care information for artists, and a guide to applying for public art commissions.
- Subscribe to "ArtsWire," a national on-line computer-based network providing news, facts, and information about the arts, and install at least 1 public access terminal for use by interested constituents.
- Improve computer and graphic equipment in the Public Information Office to become more self-reliant in desktop publishing, and more efficient in handling increased requests for information from the public.
- Commission a statewide economic impact study to update information gathered during the 1970s and 1980s about the Minnesota arts industry. Strategic plans could be developed for investments which assist both the Minnesota general economy and Minnesota's arts industry.
- Purchase a Telecommunication Device for the Deaf to respond more efficiently to growing numbers of requests from hearing impaired constituents.
- Introduce targeted public information campaigns in each of the following areas: the impact of the arts in smaller communities, the success of lifelong learning projects in several Minnesota communities, and the accomplishments of Minnesota's artists of color.
- Increase the numbers of rural Minnesotans, and Minnesotans of color on the Arts Board's advisory panels.
- Upgrade mailing and copying equipment to improve efficiency in meeting growing public information demands.
- Contract temporary help during peak grant review periods to free up support staff members to respond to technical assistance needs from Arts Board constituents.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's plan except for the following adjustments: A biennial increase of \$200,000 for a local area network and a reduction due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD
PROGRAM: OPERATIONS & SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
OPERATIONS & SERVICES	823	764	792	791	765	948	791	765	748
DEVELOPMENTAL PROGRAMS	195	129	169	96	93	93	51	48	48
TOTAL EXPENDITURES BY ACTIVITY	1,018	893	961	887	858	1,041	842	813	796
GOV'S INITIATIVES:									
			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<17>			<17>
(B) LOCAL AREA NETWORK			GEN			200			
TOTAL GOV'S INITIATIVES						183			<17>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	716	560	584	612	583	766	612	583	566
STATUTORY APPROPRIATIONS:									
GENERAL		8	5						
FEDERAL	238	301	230	230	230	230	230	230	230
GIFTS AND DEPOSITS	64	24	142	45	45	45			
TOTAL FINANCING	1,018	893	961	887	858	1,041	842	813	796
POSITIONS BY FUND:									
GENERAL	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
FEDERAL	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL POSITIONS	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0

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F.Y. 1994-95 INVESTMENT INITIATIVE

AGENCY: Minnesota State Arts Board
 PROGRAM: Operations and Services
 ACTIVITY: Operations and Services

ITEM TITLE: Minnesota Arts Research and Information Network (MARIN)

	1994-95 Biennium		1996-97 Biennium	
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Expenditures: (\$000s)				
General Fund				
- State Operations	\$200	\$-0-	\$-0-	\$-0-
- Grants				

Statutory Change? Yes _____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for a local area network to enable the agency to implement a technology and information management plan which enhances the agency's ability to make information available to the citizens of Minnesota; improve data collection practices; meet current agency objectives and successfully face the challenges and goals for Minnesota in the twenty-first century.

The Information Policy Office has reviewed and supports this project if funding is available consistent with any requirement identified in its analysis.

PROGRAM OUTCOMES:

Positioning the agency technologically to enable communities across the state to have access to it's information network.

Releasing grants in less than 45 days.

Updating change of addresses on the centralized mailing list within 48 hours.

Streamlining grant review by allowing staff to share word processing documents.

Maximizing the value of the information and data resources we already have.

Collecting data efficiently to assess agency results and outcomes.

LONG-TERM IMPACT:

Increasing opportunities for all of Minnesota's citizens to participate in arts activities in rural areas, small cities and urban neighborhoods throughout the state which stimulate and enhance their individual and collective creativity.

Ensuring protection of the state's investment in public art projects currently valued at \$2.6 million.

1994-95 Biennial Budget

PROGRAM: Grant Programs
AGENCY: Arts, Board of

PROGRAM PURPOSE:

This program implements the primary mission of the agency: providing financial and technical assistance to artists and arts organizations throughout the state who can demonstrate high levels of excellence and service to the public within established standards of competition for limited resources. The agency has developed 5 distinct program categories that assist the arts community in making programs accessible to the public. The program categories include:

1. Operating Support grants
2. Presenter and Touring Assistance grants
3. Artists in Education grants
4. Artist Assistance grants
5. Folk Arts grants

The Arts Board awards program grants to stabilize the arts industry, to assure that ticket and admissions prices will be well within the range which Minnesota families may afford, to expand the educational opportunities for students and adults of all ages, to preserve and nurture the indigenous folk arts in Minnesota, and to assist emerging artists at strategic points during their careers. These forms of assistance have proven successful for the past 2 decades in stimulating the statewide \$1 billion arts industry, and the audiences for the arts in Minnesota continue to grow, especially in more rural locations.

The following goals have been adopted formally by the Arts Board to guide this programming area:

Operating Support Grants: To provide operating support to Minnesota's medium and large, nonprofit arts institutions.

Presenter and Touring Assistance Grants: To help make the arts accessible to Minnesota's diverse public through statewide touring programs and other incentives.

Artists in Education Grants: To nurture the arts in public educational settings.

Artist Assistance Grants: To support the professional development and artistic growth of Minnesota's individual artists.

Folk Arts Grants: To encourage and promote the public's understanding of Minnesota's folk arts heritage.

The grants program contributes directly to 4 Minnesota Milestones goals.

We will increase participation in the cultural and recreational life of the community.

Rural areas, small cities and urban neighborhoods throughout the state will be economically viable places for people to live and work.

Minnesotans will have the skills for lifelong learning and good citizenship.

We will welcome, value and respect people of all cultures, races and ethnic backgrounds.

PROSPECTS:

1. A Financial Crisis Exists in the Arts Community.

Minnesota arts organizations across the state are facing a financial crisis. In a recent study, the Arts Board determined that nearly 37% of the current grantees have an accumulated deficit; the dollar amount is equal to 6% of the accumulated budgets of all grantees. Factors contributing to this financial crisis include "flat" giving by corporations and the foundation community, increased competition for leisure time among all recreational activities, the increased costs of doing business, and a greater emphasis among potential funders for new social service, educational, and economic funding priorities. These financial challenges, coupled with the limited earning capacities of nonprofits in Minnesota, could pose a major threat to the long-term survival of some of Minnesota's finest arts institutions.

2. The Growth of Field Strains Available State Resources.

In F.Y. 1980, fewer than 10 arts organizations were eligible to receive operating support grants from the Arts Board. By F.Y. 1994, 75 groups will be eligible. Thanks to the growth of audiences statewide, the arts community has steadily expanded its capacities for educational and recreational programming, and more groups seek funding from the Arts Board and the Regional Arts Councils than ever before. In addition, new and emerging groups based in communities of color and rural areas of our state are seeking support for the first time. As the growth of field increases, the competition for available funds will strain the Arts Board's resources.

3. Statewide Access to the Arts Requires an Active Touring and Presenting Network.

In at least 40% of the communities where Series Presenters grantees are located, these programmers are either the major venue or the only venue for professional arts events. Most tours by arts organizations do not cover the actual expenses of touring, yet many groups seek to tour to cover some of the annual overhead expenses created by seasonal contracts with personnel, and to amortize the costs of mounting productions over many small sponsors. From a presenter's perspective, it remains cheaper to sponsor a concert in a community than to move the entire audience to the Twin Cities to view the same concert. Unfortunately, fewer groups will tour in the future unless they earn larger fees. Presenters are therefore faced with fewer choices, and may not be able to raise ticket prices to a point where box office revenues will cover the fees. Local availability of professional arts events may be dependent on nurturing the growth of a presenter's network, aided by financial subsidy to make touring feasible.

4. Arts Education Is Declining In Minnesota.

Even though an arts education enhances basic literary skills, cuts the dropout rate, aids in teaching general classroom subjects, and helps develop self esteem and creativity in the youth of our state, many school districts have drastically reduced arts education opportunities for their students. Accordingly, Minnesota's public schools have looked to the Arts Board for funding to bring artists into classrooms for brief residencies or school concerts. The Arts Board does not want to be a substitute funding source for schools who have cut arts education from their budgets, therefore priority will be placed on programs which involve professional artists working in tandem with teachers to enhance existing arts curricula. Still, the demand for funds to sponsor arts education activities far exceeds available resources.

5. Individual Artists Earn Less than \$15,000 Annually in Minnesota.

According to United Arts, a fundraising organization based in the Twin Cities Metro Area, the average artist in Minnesota earns less than \$15,000 from the arts professions. Minnesota's

1994-95 Biennial Budget

PROGRAM: Grant Programs
AGENCY: Arts, Board of
 (Continuation)

workforce of 20,000 individual artists face longer periods of unemployment than for other professional occupations, and are less likely to have health insurance than other persons in their income level. Time and resources are the key factors in helping artists to develop their creative potential, and to find their supporting audiences.

6. Minnesotans Are Still Learning to Celebrate and Preserve Their Own Folk Arts Heritage.

The Folk Arts are a powerful educational tool that help people understand a variety of cultures that exist in their community, as well as a pathway to understanding our history as a people. Surprisingly, many of Minnesota's folk artists do not think of themselves either as artists or as guardians of endangered traditions. The Minnesota public is not fully aware of the rich folk arts traditions that exist in our state, and very few sources exist for grants to sponsor folk arts events, apprenticeships, or efforts to document Minnesota's vanishing traditions. Time is an enemy to these efforts, as masters of folk traditions age or lose their skills.

OUTCOMES:

The Minnesota State Arts Board is well-recognized within the Minnesota funding community for its data collection systems. Here is a small sampling of statistics which may demonstrate performance measures for the 5 programming areas covered in this section of the budget:

Operating Support grants:

- Total attendance for performances and educational programs in F.Y. 1992: 5.5 million attendees.
- Average percentage of F.Y. 1992 expense budgets supplied by the Arts Board's Operating Support grants: 2.1 %
- Estimated expense budgets of 52 arts grantees to operate during F.Y. 1993: \$90 million.
- Estimated number of artists employed full or part time by 52 recipients of operating grants: 15,500.

Presenter and Touring Assistance grants:

- Number of individuals attending performances supported by Presenter Assistance grants in Greater Minnesota in F.Y. 1992: 287,318.
- Total individuals attending performances supported by touring or presenting grants in F.Y. 1992: 676,977.
- Number of performances supported by Series Presenters grants in F.Y. 1993: 65.
- Number of performances outside of Twin Cities supported by Minnesota Touring Arts Program in F.Y. 1993: 40.
- Average percentage of presenters' budgets supported by Arts Board grants: 4.8 %.

Artists in Education grants:

- Number of students served in Artists in Education residencies in Minnesota in F.Y. 1992: 32,000.

- Number of community members also attending school events supported by Artists in Education grants: 48,000.
- Number of teachers and school officials participating directly in Arts in Education projects: 1,900.
- Number of artists and weeks of residencies in typical year: 168 artists serving 500 weeks.

Artist Assistance grants:

- Total number of people to attend the sponsored outcomes of Artist Assistance grants during F.Y. 1991: 1,130,854.
- Number of artists requesting grants in F.Y. 1991: 688.
- Number of artists receiving grants in F.Y. 1991: 67 (9.7% of eligible applicants).
- Number of additional artists employed through these grants: 4,361.

Folk Arts grants:

- Total number of masters and apprentices participating in Folk Arts Apprenticeships during F.Y. 1992: 24.
- Total audience for events supported by Folk Arts Sponsorship grants during F.Y. 1992: 6,575.
- Total number of folk artists juried into statewide directory of folk arts during F.Y. 1992: 79.
- Total number of teachers receiving training in college-credit training sessions on using folk arts in the classroom in F.Y. 1992: 11.
- Attendance at Minnesota State Fair Folk Arts Showcase in 1992: 62,500.

OBJECTIVES:

The Arts Board's F.Y. 1994-95 objectives and performance measures will again be described in each of the 5 major programming areas.

Operating Support Grants: A reduction of \$83,000 will occur in this programming area, having the following effect on performance levels for F.Y. 1994-95:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
■ Total attendance for performances & education programs (in millions)	5.5	5.5	5.25	5.25
■ Average percentage of expense budgets supplied by Arts Board grants	2.1%	2.1%	2.0%	2.0%
■ Expense budgets of grantees (in millions)	\$90	\$90	\$95	\$95
■ Artists employed full or part time	15,500	15,500	14,725	14,725

Presenter and Touring Assistance Grants: A reduction of \$5,000 in state funding, and a loss of \$40,000 in matching funds will impact this programming area in F.Y. 1994-95.

1994-95 Biennial Budget

PROGRAM: Grant Programs
 AGENCY: Arts, Board of
 (Continuation)

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
■ Total attendance at sponsored programs	676,977	677,000	503,450	503,450
■ Total attendance at Greater MN programs	287,318	287,000	160,450	160,450
■ Series Presenters Performances	65	65	65	65
■ MN Touring Arts Program Performances	40	40	-0-	-0-

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
■ Fees earned by MN Touring Arts Program Participants	\$310,000	\$310,000	-0-	-0-

Artists in Education Grants: This program area will see a \$5,000 reduction for F.Y. 1994-95.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
■ Students served in residencies	32,000	32,000	24,960	24,960
■ General public audiences	48,000	48,000	37,440	37,440
■ Teachers & school officials trained	1,900	1,900	1,482	1,482
■ Artists/Weeks of residencies	168/500	168/500	157/489	157/489

Artist Assistance Grants: This program area will see an \$8,000 reduction in state appropriations, and a loss of \$30,000 in federal funds for 3 out-of-state training grants. The program standards for F.Y. 1994-95:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
■ Total people attending sponsored events (millions)	1.13	1.13	1.08	1.08
■ Number of artists employed through grants	4,761	4,761	4,587	4,587

Folk Arts Grants: This program area will see a \$1,000 reduction, which affects solely the Sponsorship grants category for F.Y. 1994-95.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
■ Total attendance at sponsored events	6,575	6,575	6,200	6,200
■ Masters and apprentices in sponsored training	24	24	25	25
■ Attendance at sponsored showcases	62,500	62,500	65,000	65,000
■ Artists participating in juried directories	79	79	85	85

PROGRAM PLAN:

Operating Support Grants. The following operating strategies will be used to manage the available resources during F.Y. 1994-95:

- Eligible institutions will not be limited to past grantees, allowing all qualified groups to apply.
- Grants categories will be restructured to improve efficiency of review, and to encourage competition for available funds.
- Grantees will be judged more closely on criteria for outreach to public, building audiences, and educational services.
- F.Y. 1995 applications will be reviewed by a panel of governing board and staff members to reduce administrative expenses.
- No applicants may also file speculative grant applications with Regional Arts Councils concurrently with Arts Board Operating Support grant applications.

This programming area contributes highly to all 4 Minnesota Milestone goals. To maximize progress, the Arts Board recommends a 200% (\$3,388,000) increase in state funds for both F.Y. 1994-95. The following positive effects would occur:

- No increases in ticket prices for attending public.
- A 12-year goal of the State of Minnesota providing 10% of operating budgets for operating support grantees would be achieved for the first time.
- Total attendance would increase by 25%, from 5.5 million people to 6,875,000 attendees annually by F.Y. 1995.
- Business and foundation support for the arts, which very often uses Minnesota State Arts Board grants as models, would be challenged to increase support, reversing the trend which so threatens major arts organizations in Minnesota.

Presenting and Touring Grants. The following operating strategies will be used to manage available resources for this programming area during F.Y. 1994-95:

- The National Endowment for the Arts will be asked to fund an accelerated effort to organize Minnesota presenters into a network.

1994-95 Biennial Budget

PROGRAM: Grant Programs
AGENCY: Arts, Board of
(Continuation)

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- The National Endowment for the Arts will be asked to fund 2 pilot projects with "core" presenters to foster cooperation among the network.
 - The Arts Board will make progress towards restructuring the program to help with operating expenses of presenters, rather than specific programming cost centers.
 - Private foundations will be approached for funds to continue the Minnesota Touring Arts Program.
 - The Arts Board will serve as a leader department for implementation of the Americans With Disabilities Act. Minnesota presenters will be provided with information and training to serve disabled audiences more effectively.

The Presenting and Touring program contributes highly to 3 Minnesota Milestone goals. To maximize progress, the Arts Board recommends a 100% (\$94,000) increase in state funds for this programming area, which would have the following positive effects during F.Y. 1994-95:

- A 30% increase in number of performances sponsored by Series Presenters grants, raising total audiences from 676,977 to 880,000 people annually by F.Y. 1995.
- A 30% increase in number of Series Presenters grants to Greater Minnesota presenters, increasing annual attendance by 86,000 people.
- A 10-year goal would be achieved, to assist with 10% of the average annual operating expenses of Minnesota's core presenters.
- A 100% increase in numbers of performances in rural Minnesota by major performing arts groups, from 40 to 80 performances annually by F.Y. 1995.

Artists In Education Grants. The following operating strategies will be used to manage available resources during F.Y. 1994-95.

- Priority will be given to school residencies which have the most promise for long-term educational outcomes for students.
- Other collaborating partners with financial resources will be sought to maximize funds available for artists in education experiences for teachers and students.
- Additional re-granting funds will be requested from the National Endowment for the Arts.
- Where feasible, program management components may be contracted out to other educational resources, saving agency overhead.
- More emphasis will be placed on group workshops for teachers and artists, reducing the per-participant costs of previous training venues.

The Artists In Education Program contributes highly to 2 Minnesota Milestone goals. To maximize progress, the Arts Board recommends a 100% (\$107,000) increase in state funds to this programming area, with the following positive effects for F.Y. 1994-95:

- Total weeks of artist residencies would increase from 500 weeks to 800 weeks annually.
- The total number of students served would rise from 32,000 to 51,200 students annually.
- The total number of public audiences who also attend school educational events and concerts would increase from 48,000 to 76,800 people annually.

Artist Assistance Grants. The following operating strategies will be used to manage available resources during F.Y. 1994-95:

- More emphasis will be placed on technical assistance and training for artists to maximize opportunities for successful career growth in Minnesota.
- New partnerships will be discussed with all artist service organizations in Minnesota (groups whose missions call for direct service to professional artists).
- New partnerships will be requested with Minnesota's foundations which also make grants to individual artists.
- Private funding will be sought to continue the Headlands Residency project, which places 3 artists in a training center in California.
- Showcases for artists will be sponsored to bring public attention, sales, or earned fees to Minnesota artists.

The Artist Assistance program contributes highly to 2 Minnesota Milestone goals. To maximize progress, the Arts Board recommends a 100% (\$160,000) increase to this programming area, which would have the following positive effects during F.Y. 1994-95:

- Minnesota's artists, who request \$3.5 million in grants from the Arts Board annually, receive only \$226,200 in available funds. More grants would have a dramatic effect not only on the economic conditions of artists, but also on the morale of artists.
- Twenty-five percent of applicant artists fully meet our criteria, while only 9.7% may be funded. More grants will stimulate the careers of Minnesota's best artists, who will be self-sustaining taxpayers purchasing goods and services in future years.
- Audiences for sponsored events would increase to 2 million people annually, located throughout Minnesota.
- Part-time employment opportunities for artists working on sponsored projects would increase from 4,300 to 7,000 annually.

Folk Arts Grants. The following operating strategies will be used to manage available resources in this program area during F.Y. 1994-95:

- New funds will be requested from the National Endowment for the Arts to create a festival in partnership with and located at the Minnesota Historical Society.

1994-95 Biennial Budget

PROGRAM: Grant Programs
AGENCY: Arts, Board of
(Continuation)

- Increased funds will be requested from the National Endowment for the Arts for apprenticeships in Minnesota.
- New recording projects and essays will be developed to celebrate traditional arts in Minnesota.
- More emphasis will be placed on news articles and media broadcasts about the folk arts traditions of Minnesota.
- A new educational folk arts study guide will be created and circulated to Minnesota educators. outside funds will be sought to continue the summer teacher training classes.
- New funding partnerships will be fostered to increase the grants available to sponsor the folk arts at fairs and festivals in Minnesota.

The Folk Arts grants program contributes highly to 3 Minnesota Milestone goals. To maximize progress, the Arts Board recommends a 100% (\$20,000) increase in state funds to this program area, with the following positive effects for F.Y. 1994-95:

- More grants to sponsor folk arts events would more than double attendance annually (14,000 people), and would fund media promotions which could increase attendance even more within 3 years.
- A series of radio programs would be produced with Minnesota folk arts traditions as the focus. Minnesota Public Radio and other stations have expressed great interest in this idea.
- Public education about and appreciation for the folk arts would be enhanced in ways not easily reduced to statistics. Communication with the public is clearly raising awareness and new sponsoring opportunities for Minnesota folk artists.
- A large-scale showcase/festival would be assured, combining the resources of the Minnesota Historical Society, the Arts Board, and other likely participants, such as the Minnesota Humanities Council.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD
PROGRAM: GRANT PROGRAMS

ACTIVITY RESOURCE ALLOCATION:	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
OPERATING SUPPORT ONE	1,775	1,461	1,461	1,461	1,393	1,393	1,461	1,393	1,393
OPERATING SUPPORT TWO	691	350	350	350	337	337	350	337	337
OPERATING SUPPORT COMMUNITY	124	75	75	75	72	72	75	72	72
PRESENTER ASSISTANCE	135	151	151	94	89	89	94	89	89
ARTISTS IN EDUCATION	208	185	232	232	228	228	232	228	228
INDIVIDUAL ARTISTS	254	278	225	225	217	217	225	217	217
FOLK ARTS GRANTS	20	30	30	30	30	30	30	30	30
TOTAL EXPENDITURES BY ACTIVITY	3,207	2,530	2,524	2,467	2,366	2,366	2,467	2,366	2,366
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,105	2,010	2,025	2,025	1,924	1,924	2,025	1,924	1,924
STATUTORY APPROPRIATIONS:									
FEDERAL	317	461	442	442	442	442	442	442	442
GIFTS AND DEPOSITS	785	59	57						
TOTAL FINANCING	3,207	2,530	2,524	2,467	2,366	2,366	2,467	2,366	2,366
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

PROGRAM: Regional Arts Fiscal Agent
AGENCY: Arts, Board of

PROGRAM PURPOSE:

The Regional Arts Councils (RACs) were established by the Legislature to decentralize the state's art appropriation so that Greater Minnesota is better served. Eleven RACs provide funds for grants and support services to sustain and encourage a diverse range of local arts activities.

This program contributes directly to 4 Minnesota Milestones themes. Within the first theme, "A Caring and Secure Community," the RACs are the vehicle for carrying out the goal "We will increase participation in the cultural and recreational life of the community," in a decentralized format. The RACs address one indicator of this goal: "Attendance at non-profit arts performances."

Within the second Milestones theme, "A Prosperous People," RACs ensure the goal that "Rural areas and small cities will be economically viable places for people to live and work," by dispersing monies to arts organizations, and attracting city, county, and federal match monies through the RAC/Minnesota State Arts Board (MSAB) Locals Arts Partners program which is partially funded by the National Endowment for the Arts (NEA).

Within the third Milestones theme, "Learning," RACs contribute to the goal that "Minnesotans will have the skills for lifelong learning and good citizenship." RACs distribute money to non-profit 501(c)3 arts organizations in their respective regions, whose mission is to provide lifelong education in the arts which, in addition, encourages other lifelong education pursuits.

Within the fourth Milestones theme, "We the People," RACs address 2 goals that "Government in Minnesota will reflect the state's diverse population" and "Government decision-making will be decentralized and accommodate community participation." There are 6% of underrepresented racial groups and 64% women on RAC boards. Secondly, the RAC board members are representative of every county in the state. RACs hold annual public forums and all programming is driven by periodic needs assessments.

PROSPECTS:

1. Decreased Financial Support.

- In the recent past there has been a reduction in public and private funding for the arts. Between F.Y. 1990 and F.Y. 1992, the RACs saw their portion of the state arts allocation decrease from \$1,382,000 to \$1,290,000. In addition, from F.Y. 1982 to F.Y. 1990 the percentage of dollars given by private, corporate, and community foundations to the arts decreased from 22.2% to 16.3%, a decrease of 5.9%.
- Foundation funding in Greater Minnesota is minimal or non-existent. At last report in F.Y. 1989, arts and culture in Greater Minnesota received 4.9% of the total amount given by the top 40 Minnesota foundations.

2. Increased Demand for Funding and Services.

- Between F.Y. 1990-91, RACs witnessed a 24% increase in the total amount of money requested. Of those funded in F.Y. 1991, 23% were funded below the original request compared to 13% in F.Y. 1990. RACs are not reducing awards because of poor quality but because there is a lack of funding.
- In addition, previously self sufficient arts organizations are now requesting funding for the first time. These groups are reducing their usual services, or seeking funding to continue traditional services.
- A greater number of people are attending and participating in RAC sponsored events than ever before. In F.Y. 1991, 18,184 artists participated in projects that received RAC grants and 2,014,149 people benefitted from these events. This is a 220% increase from F.Y. 1990. All counties in the state benefit from these RAC sponsored events.

3. Increased Requests for Arts in Education.

- There has been a growing increase in grant requests for school residencies, field trips, and projects. Between F.Y. 1990-91, the amount of dollars requested from RACs for school residencies increased 43.4%. Of those funded in F.Y. 1991, 84% were below the requested amount.
- In addition, there has been a growing decrease in the number of arts specialists in the schools. Arts specialists are not being hired or replaced despite an increasing student population.

4. Strong Representation of Diverse Population on RAC Boards.

- Presently, RAC boards are composed of 6% underrepresented racial groups and 64% women. Also, board members are representative of every county in the state.

OUTCOMES:

The RACs have collected data on the number of arts grant applications received, approved, and funded, which are historic measures of the RACs performance towards its goals.

1. Decreased Financial Support.

- There was a 24% increase in the amount of money requested from RACs between F.Y. 1990 and F.Y. 1991. This increase is attributed to the recent decreases in: the state arts allocation to the RACs; private, corporate, and community foundation funding to arts and culture; and individual donations.

2. Increased Demand for Funding and Services.

- RACs accept 50% more applications than they are able to fund. If more applications could be funded, artist and audience participation in nonprofit arts events and programs would increase by 45%.

1994-95 Biennial Budget

PROGRAM: Regional Arts Fiscal Agent
 AGENCY: Arts, Board of
 (Continuation)

3. Increased Requests for Arts in Education.

- There was a 43.4% increase in the amount of money requested and a 21% increase in the amount of applications for school residencies between F.Y. 1990 and F.Y. 1991. This increase is most likely attributed to the reduction of art curriculum in the schools and the resulting need for teachers to locate additional funding to continue arts education. Since almost all Regional Arts Council (RAC) funding available for Arts in Education comes from private sources such as foundations, there is limited flexibility in the use of this funding for other RAC program goals.

4. Strong Representation of Diverse Population on RAC Boards.

- While meeting the goal of board representation of women and underrepresented racial groups, the RACs will continue to strive toward making their boards reflect the state's diverse population as it changes.

OBJECTIVES:

A reduction of \$65,000 will occur in the RACs portion of the state arts allocation for F.Y. 1994-95, having the following effect on performance levels:

1. Increased Demand for Funding and Services.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
■ Number of grant applications received per year	760	830	865	890
■ Percentage of grant applications funded below requested amount	25%	25%	30%	30%
■ Number of people reached by performances (in millions)	2.01	2.01	1.91	1.91
■ Number of artists participating in RAC sponsored events	20,760	20,760	19,720	19,720

2. Increased Requests for Arts in Education.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
■ Number of applications for residencies received per year	100	115	130	145
■ Percentage of residency applications funded below requested amount	84%	84%	90%	90%
■ Number of students served in residencies	61,365	61,365	58,554	58,554

3. Strong Representation of Diverse Population on RAC Boards.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
■ Percentage of under-represented racial groups on RAC boards	6%	6%	6%	6%
■ Percentage of women on RAC boards	64%	64%	64%	64%

PROGRAM PLAN:

All state agencies must submit a budget plan which represents a 5% cut from the F.Y. 1991-92 biennium. A 5% cut to the RACs allocation would make continued funding of high quality local arts activities at the same level as the RACs have done in the past biennium a definite struggle. In addition, a decrease in financial resources would make it very difficult to further the goals of the Minnesota Milestones program that have been addressed in this narrative.

A 5% cut to the RACs budget would precipitate a variety of results, the most important of which is decreased attendance at nonprofit arts events. Since there will be more applications received than can be funded due to decreases in public and private funding, it follows that the RACs will not be able to keep up with the growing demand for support. If this happens, participation in the arts by both artists and audiences will significantly decrease. Decreased financial resources will also harm other areas including arts education and the RACs ability to address the issue of cultural diversity. Regional Arts Councils contribute highly to 4 Minnesota Milestone goals. To maximize progress, the Regional Arts Councils recommend a 100% (\$1,406,000) increase in state funds to this program area. The following beneficial effects would occur during F.Y. 1994-95:

- With additional revenue, the RACs could fund a larger percentage of the accepted applications.
- Attendance at arts events in Greater Minnesota would increase by 50-100%.
- Increased RAC funding to arts organizations will take the pressure off these organizations to reduce their services to their constituents and communities without making them financially dependent on the Regional Arts Councils (RACs).

1994-95 Biennial Budget

PROGRAM: Regional Arts Fiscal Agent
AGENCY: Arts, Board of
(Continuation)

- RACs can further develop programs to assist charitable nonprofit arts organizations in the supplementation of Arts in Education throughout Greater Minnesota.
- The arts have a strong economic impact and through greater RAC funding, organizations will be able to generate 4 dollars for every dollar of state funding awarded in their respective communities.
- Funding will be adequate to assist formative groups as well as established organizations. Otherwise, competition will be severe, and developing rural arts groups may cease to exist.
- Funding will be available to culturally diverse groups. As Minnesota strives toward cultural diversity, it is apparent that the first exposure people have to other cultures is through the arts. If small newly emerging groups do not receive funding, the move toward diversity in Minnesota will die.
- Funds will better enable Greater Minnesota organizations to be more diverse and accessible, especially with future compliance by arts organizations in Greater Minnesota to the Americans With Disabilities Act.

The RACs are a vital program to state development that serve many groups and individuals of all ages and sizes. Increasing funding would benefit not only these individuals and organizations, but communities throughout the state by their participation in and attendance to RAC funded arts activities.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

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1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD
PROGRAM: REGION ARTS FISC AGENT

ACTIVITY RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
REGION GRNTS-PROG-SERV	1,341	1,290	1,290	1,290	1,225	1,225	1,290	1,225	1,225
LOCALS GRANT PROGRAM	212	208	242	216	155	155	216	110	110
TOTAL EXPENDITURES BY ACTIVITY	1,553	1,498	1,532	1,506	1,380	1,380	1,506	1,335	1,335
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,457	1,381	1,426	1,406	1,335	1,335	1,406	1,335	1,335
STATUTORY APPROPRIATIONS:									
FEDERAL	96	117	106	100	45	45	100		
TOTAL FINANCING	1,553	1,498	1,532	1,506	1,380	1,380	1,506	1,335	1,335
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

1994-95 Biennial Budget

AGENCY: Uniform Laws Commission

MISSION:

The Minnesota Uniform Laws Commission works with the National Conference of Commissioners on Uniform State Laws (NCCUSL) to draft legislation that will improve laws and make them uniform throughout the nation. The NCCUSL is made up of uniform laws commissioners from all other states and the District of Columbia.

The commission consists of 6 persons learned in the law. Three are appointed jointly by the Governor, Attorney General, and Chief Justice of the Supreme Court, and a 4th person is the designee of the Revisor of Statutes. Two persons have been granted life membership because of long service.

MINNESOTA MILESTONES:

The work of the commission supports the following milestone goal: Government in Minnesota will be cost efficient and services will be designed to meet the needs of those who use them.

Membership in the NCCUSL enables Minnesota to use the skills and resources of the legal profession at very little cost. The work of the Uniform Laws Commission is aided by the Minnesota Bar Association locally and by the American Bar Association nationally. In addition, various groups interested in the subject matter of a particular uniform act have input into the work of the conference during both the drafting and the enacting process. For example, medical groups interested in organ transplants have helped with the Uniform Anatomical Gift Act. A minimum of 2 years is spent drafting each act, and no state has the resources needed to duplicate the NCCUSL's meticulous, careful work.

OUTCOMES:

Minnesota now has in its statutes approximately 50 uniform acts as a result of the commission's work.

OBJECTIVES:

During the 1993 and 1994 Minnesota legislative sessions, the Minnesota Commission will bring to the legislature the following acts for consideration: the 1992 Uniform Partnership Act, the Uniform Transfer of Litigation Act, the Uniform Interstate Family Support Act, the Uniform Statutory Wills Act, the Uniform Health Care Information Act, the Uniform Criminal History Records Act, the Uniform Premarital Agreements Act, the Uniform Transboundary Remedies Act, the Uniform Conflict of Laws-Limitations Act, the Uniform Information Practices Code, and the Uniform Franchising and Business Opportunities Act. In addition, the commission will have a major bill amending the Uniform Probate Code.

CLIMATE:

The National Conference currently is drafting the following uniform acts, among others: Uniform Adoption Act, amendments to the Uniform Commercial Code, Uniform Periodic Payment of Judgments Act, Revised Uniform Principle and Income Act, Uniform Defamation Act, and Model Statutory Construction Act.

Recently promulgated acts, ready for enactment by the legislature, include: the 1992 Uniform Partnership Act, Uniform Transfer of Litigation Act, and Uniform Interstate Family Support Act.

AGENCY BUDGET PLAN:

The commission will need \$25,000 annually to cover membership dues (\$17,000) and travel expenses (\$8,000).

The budget of the Uniform Laws Commission only covers 2 expenditures: 1) expenses of the commissioners for their attendance at the 8-day annual meeting of the National Conference each summer; and 2) annual membership dues. The commission has no control over its expenses, because the annual membership dues are assessed to each state, and the District of Columbia, based on the size of its population; and the national organization determines where the conferences will be held (and travel costs vary depending on the location). Minnesota commissioners are only compensated for their travel expense, they are not compensated for the time they spend on commission work. Attendance at the annual meeting is essential to Minnesota for it is at that meeting that Minnesota's interests are represented, drafting of each subject act is completed, the members learn about the acts so they will be prepared to present them to the Minnesota Legislature, and decisions are made regarding the future work of the conference.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: UNIFORM LAWS COMMSN
PROGRAM: UNIFORM LAWS CMSN
ACTIVITY: UNIFORM LAWS CMSN

ACTIVITY SUMMARY	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
MISC OPERATING EXPENSES	22	21	26	22	25	25	22	25	25
SUBTOTAL STATE OPERATIONS	22	21	26	22	25	25	22	25	25
TOTAL EXPENDITURES	22	21	26	22	25	25	22	25	25
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	22	21	26	22	25	25	22	25	25
TOTAL FINANCING	22	21	26	22	25	25	22	25	25
POSITIONS BY FUND:									
TOTAL POSITIONS	.0	.0	.0	.0	.0	.0	.0	.0	.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: UNIFORM LAWS COMMSN

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	26	26	26	26				
TECHNICAL ADJUSTMENTS								
LAC APPROPRIATIONS	<4>	<4>	<4>	<4>				
SUBTOTAL TECH. ADJ.	<4>	<4>	<4>	<4>				
CURRENT SPENDING	22	22	22	22				
AGENCY BASE	22	22	22	22				

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1994-95 Biennial Budget

AGENCY: Debt Service

MISSION STATEMENT:

To pay the principal and interest on General Obligation long-term debt.

CLIMATE:

On November 1 (December 1 for bonds issued after 1-1-85) of each year the Commissioner of Finance must transfer into the Debt Service Fund an amount sufficient with the balance then on hand in the fund, and all income from the investment of such money, to pay all principal and interest on bonds due and to become due within the ensuing year and to include July 1 in the 2nd ensuing year.

The Minnesota Constitution requires the state auditor to levy a statewide property tax annually in an amount sufficient with the balance then on hand in the fund to pay all debt service through this 20-month period. The legislature may make appropriations from any source to the debt service fund to reduce the amount of the statewide property tax levy. The debt service appropriation is made for the purpose of reducing or eliminating the need for a statewide property tax. On November 1 (December 1) of each year, the Commissioner of Finance shall transfer to the debt service fund from appropriations made for such purposes the amounts necessary to reduce or eliminate the statewide property tax.

Debt service is broken down into 2 categories: existing debt and new issues. Existing debt service is used for payment of principal and interest of previously issued bonds. Debt service for new issues is to cover bonds that are authorized and anticipated to be authorized but have not yet been issued.

PERFORMANCE MEASURES:

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Total Bonds Outstanding:				
Existing Debt on June 30	\$1,634,330	\$1,645,865	\$1,485,380	\$1,338,260
Existing Debt:				
\$ amount of principal payments	\$138,725	\$141,085	\$166,235	\$157,370
\$ amount of interest payments	\$107,402	\$115,533	\$115,102	\$104,676

OUTCOMES:

Existing Debt: The amount required in the debt service account is calculated by the total amount of principal and interest payments due November 1 (December 1) through the 2nd and ensuing July 1 for all outstanding bonds. The appropriation requirements are calculated by adjusting the total transfer requirements for investment income and transfers from dedicated funds.

New Issues: It is assumed that General Obligation debt will be issued in F.Y. 1994 and F.Y. 1995 for currently authorized capital projects and for new authorizations.

The transfer requirement is determined by the payments of principal and interest that will come due within the November 1 (December 1) through the 2nd ensuing July 1.

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Existing Debt	\$202,940	\$210,156	\$197,860	\$183,977
	\$200,540	208,311	198,505	183,847
New Issue/Existing Authorization *	-0-	-0-	31,920	32,993
			30,107	31,336
New Issue/New Authorization	-0-	-0-	2,050	4,474
			5,420	8,240
Arbitrate Rebate	-0-	1,845	2,300	2,300

* Additional bonds will be sold in F.Y. 1993.

The debt service transfer shown for F.Y. 1994 and F.Y. 1995 is an estimate based upon the dollar amount of bonds sold each year. The amount of the debt service transfer for existing authorizations and new authorizations is also an estimate of the dollar amount of bonds to be sold for capital projects currently authorized and for new authorizations.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$453,274,000 \$457,455,000 be appropriated from the General Fund for debt service. This appropriation will be used to make the required debt service transfers on existing debt and on new bonds issued during the biennium. The new bonds sold will provide additional funding for capital projects currently authorized and funding for the new capital projects included in the Governor's Capital Budget recommendations. The Governor also recommends that \$4,600,000 be appropriated from the General Fund for federal arbitrage rebate.

Bureau of Mediation Services
Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement:		
General Fund	25.0	25.0
Total Permanent Positions	<u>25.0</u>	<u>25.0</u>
TOTAL Positions	<u>25.0</u>	<u>25.0</u>
Employees on 6/30/92	22.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	19
Full-Time Temporary	2
Part-Time Temporary	<u>1</u>
TOTAL	<u>22</u>

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Mediation Services

Fund: General

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>		<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
1. Summary of Agency Actions:				2. Impact on Staffing:			
				Positions left Vacant or Eliminated	2.0	2.0	
CURRENT SPENDING	\$1,854	\$1,854	\$3,708	3. Impact on Revenue Generation:			
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>Agency Plan</u>	\$(19)	\$(19)	\$(38)
AGENCY BASE	\$1,854	\$1,854	\$3,708	4. Affected Statutes:			
Inflation Cost Increases	56	60	116	None.			
Agency Management Decisions				5. Governor's Recommendation:			
Agency Operations:				The Governor recommends funding levels as requested in the agency plan except for the following adjustments: A reduction of \$39,000 each year for anticipated savings from the revised salary planning estimates.			
Hold position vacant	\$(126)	\$(130)	\$(256)				
Grants:							
Area Labor-Management							
Cooperation Grants	\$(23)	\$(23)	\$(46)				
Subtotal	\$(149)	\$(153)	\$(302)				
TOTAL AGENCY PLAN	\$1,761	\$1,761	\$3,522				
Governor's Initiative							
Salary Planning Estimates	\$(39)	\$(39)	\$(78)				
GOVERNOR'S RECOMMENDATION	<u>\$1,722</u>	<u>\$1,722</u>	<u>\$3,444</u>				

Brief Explanation of Agency's Overall Actions:

The agency's budget reduction will focus on personnel costs. Approximately \$250,000 in savings will be generated by keeping 2.0 positions vacant during the 1994-95 biennium. The remaining adjustments will come by reducing grants.

Spending cuts will reduce the number of mediators available to resolve labor-management disputes.

1994-95 Biennial Budget

AGENCY: Mediation Services, Bureau of

MISSION:

It is the mission of the Bureau of Mediation Services to improve the quality of Minnesota's labor-management relationships. A constructive labor-management relationship increases worker productivity, reduces the time lost due to work stoppages, and maintains a safe work place. This mission to the public, private, and non-profit sectors is met by:

1. Assisting labor and management in resolving collective bargaining and contract grievance disputes.
2. Resolving issues of union representation and bargaining structure.
3. Maintaining rosters of qualified arbitrators.
4. Supporting, facilitating, and training area and worksite Labor-Management Cooperation efforts.
5. Providing training and information to labor-management representatives, employers, employees, and the public.

The Bureau has 2 program areas: Representation/Mediation and Labor-Management Cooperation. The program areas meet the agency mission by fulfilling the following objectives:

1. Continue to minimize labor-management work stoppages and contract grievance disputes.
2. Issue timely and objective union representation and unit determination decisions.
3. Improve the quality of arbitration rosters and the timely referral of arbitrator lists.
4. Increase the number of agency staff members assigned to facilitate worksite Labor-Management Committees and the number of worksite committees.

MINNESOTA MILESTONES:

The Bureau supports the Milestone goal of "above-average economic growth" by providing assistance to Minnesota's labor-management community. We contribute to this vision by encouraging labor and management efforts to establish a positive and constructive relationship. This mission is fulfilled by administering public policy which:

1. Eliminates work stoppages over the issue of union recognition;
2. Reduces conflict concerning contract grievances;

3. Minimizes strikes or lockouts resulting from negotiations over the terms and conditions of employment; and
4. Supports efforts to establish labor-management cooperation efforts.

The resulting productive and conflict free work place promotes the Milestone goal of economic growth.

CLIMATE:

The Bureau provides dispute resolution services to the representatives of labor and management in Minnesota's public, private, and non-profit sectors. Agency policy is being shaped by the following factors:

1. **Statutory Standards.** Specific statutory provisions impact agency decisions. Mandatory 2 year teachers and state employees contracts, mandatory teacher-school board negotiations settlement dates, notice of right to strike requirements, and legislative amendments require flexibility in the assignment of agency personnel. The Bureau prioritizes case load and assigns staff to meet statutory standards and the agency mission.
2. **Union Organizing Efforts.** Since 1990 union organizing activities have increased. This increase has been motivated by membership losses and the bargaining need to represent the majority of employees in an industry. The Bureau reacts to this factor by committing additional personnel to the representation function.
3. **Economic Environment.** The current economic recession has resulted in more difficult negotiations. The conflict between limited financial resources and increased health care costs has diminished the bargaining flexibility of labor and management. This restricted economic environment and the resulting challenges to bargaining have required greater productivity by staff.
4. **Consolidation and Reorganization of Government.** Government reorganization and consolidation has occurred in K-12 and higher education. Such changes impact primarily the representation function where bargaining unit compositions are changed and elections are required. Timely response is necessary to assure an orderly transition. The resulting contract negotiations are complicated by the existence of multiple labor contracts. The Bureau responds by prioritizing the assignment of staff to the representation and mediation responsibilities.
5. **Health Care Costs.** Dramatic increases in health care costs have complicated bargaining. Issues of employee co-pays, sharing of premiums, and contribution maximums have resulted in more mediation requests and meetings. The agency will continue to screen mediation requests and productively schedule staff to meet this demand.
6. **Labor-Management Cooperation.** During the past decade, labor and management took major steps to initiate cooperative labor-management programs. These programs included emphasis on joint problem solving, planning, and consensus decision making. These options encourage an improved work climate, joint goal setting, increased productivity, and a reduced level of conflict. The Bureau responds by assessing the potential success of committees and prioritizing the assignment of staff.

1994-95 Biennial Budget

AGENCY: Mediation Services, Bureau of
(Continuation)

AGENCY BUDGET PLAN:

In developing this plan the Bureau balanced agency mission and climate with the following reduction alternatives:

1. Office space,
2. Personnel,
3. Computer hardware and software,
4. Publication services, and
5. Area Labor-Management Cooperation grants.

Office space and computer reductions were rejected as alternatives for cost savings because of limited dollars generated.

The Agency's plan will focus on reducing personnel costs. With personnel funding at a level of nearly 70% of total budget, major cost reduction is limited primarily to this area. Approximately \$250,000 in savings will be developed by keeping 2.0 positions vacant during the F.Y. 1994-95 biennium. The remaining reduction of \$100,000 will be accomplished by transferring publishing costs and reducing grants.

The adopted spending cuts will affect the agency by diminishing the number of mediators available to respond to labor-management disputes. This will result in a delay in the response time to mediation requests or no assignment of a mediator to a request. Possible long range implications include an increase in the number and duration of work stoppages and other forms of workplace conflict.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MEDIATION SERVICES

PROGRAM RESOURCE ALLOCATION:	FY 1991	FY 1992	Est. FY 1993	FY 1994			FY 1995		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MEDIATION SERVICES	1,531	1,398	1,586	1,591	1,509	1,473	1,591	1,509	1,473
CO-OP LABOR MANAGEMENT PROGRAMS	391	343	350	350	339	336	350	339	336
TOTAL EXPENDITURES BY PROGRAM	1,922	1,741	1,936	1,941	1,848	1,809	1,941	1,848	1,809
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,824	1,739	1,848	1,853	1,760	1,721	1,853	1,760	1,721
STATUTORY APPROPRIATIONS:									
GENERAL	5	1	1	1	1	1	1	1	1
SPECIAL REVENUE	93	1	87	87	87	87	87	87	87
TOTAL FINANCING	1,922	1,741	1,936	1,941	1,848	1,809	1,941	1,848	1,809
POSITIONS BY FUND:									
GENERAL	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
TOTAL POSITIONS	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: MEDIATION SERVICES

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	1,936	1,936	1,849	1,849	87	87		
<u>TECHNICAL ADJUSTMENTS</u>								
INSURANCE PREMIUM HOLIDAY	5	5	5	5				
SUBTOTAL TECH. ADJ.	5	5	5	5				
<hr/>								
CURRENT SPENDING	1,941	1,941	1,854	1,854	87	87		
AGENCY BASE	1,941	1,941	1,854	1,854	87	87		

1994-95 Biennial Budget

PROGRAM: Representation/Mediation
AGENCY: Mediation Services, Bureau of

PROGRAM PURPOSE:

The Representation/Mediation Program houses the agency's core functions. The program goals are, therefore, a direct reflection of the agency's mission in carrying out the following functions:

1. **Mediation:** providing mediation assistance to labor and management in resolving contract and grievance disputes.
2. **Representation:** hearing and issuing decisions relating to union representation, bargaining unit structure, independent review and fair share fee challenges.
3. **Arbitration:** maintaining rosters of qualified arbitrators and distributing lists of arbitrators upon request.
4. **Labor-Management Cooperation:** facilitating worksite labor-management committees.

The successful accomplishment of these functions will result in the continuation of stable and constructive labor-management relationships.

PROSPECTS:

The agency expects continued demand for this program through the biennium.

1. Mediation requests will increase because of the economic environment, rising health care costs, and governmental reorganization and restructuring.
2. Increased union organization activities and statutory requirements will continue to drive a demand for representation services.
3. The demand for arbitration list referrals is expected to increase significantly because of the elimination of the Public Employment Relations Board and the subsequent assumption of those functions by the agency.
4. Based on the current pattern, requests will increase for assistance in organizing and training new worksite labor-management committees.

The implication for the agency is a continued demand on its personnel resources. The availability of staff to meet such demands will result in substantial delays in the assignment of mediators. In the extreme, mediation and labor-management worksite committee cases will be screened which may result in no staff being assigned to certain cases. Alternative sources for these services include private sector and other governmental resources. However, we conclude that the availability of these substitute or replacement resources is also limited by financial constraints.

OUTCOMES:

1. Workload Indicators

The Bureau has historically collected data to measure agency workload.

	<u>F.Y. 1986</u>	<u>F.Y. 1987</u>	<u>F.Y. 1988</u>	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
Mediation:							
Petitions Received	906	668	780	585	827	638	1,071
Meetings Held:	1,751	1,259	1,559	1,164	1,253	1,104	1,727
Intent to Strike Notices Filed: (Public)	8	20	15	24	31	8	20
Number of Strikes: Public	0	1	3	1	8	4	3
Private				24	24	16	25
Representation:							
Petitions Received:	312	311	320	370	414	392	469
Hearings Held:	216	175	138	134	96	77	82
Elections Conducted:	33	54	49	60	50	68	70
Arbitration Lists Referred:							
BMS:	305	304	338	289	323	382	508
PERB:							160
Teacher Discharge:							13

2. Performance Outcome Indicators:

The performance of the agency is measured by the following outcome indicators:

1994-95 Biennial Budget

PROGRAM: Representation/Mediation
AGENCY: Mediation Services, Bureau of
 (Continuation)

Mediation:

	<u>F.Y. 1986</u>	<u>F.Y. 1987</u>	<u>F.Y. 1988</u>	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>
Number of meetings per petition:	1.93	1.88	1.99	1.98	1.51	1.73	1.61
Mediated settlement rate of essential petitions:	69%	63%	61%	53%	78%	50%	
Mediated settlement rate of teacher-school board prior to January 15:				2%		4%	
Strike rate of public petitions received:	0%	.0026%	.0054%	.0033%	.0140%	.0123%	.0043%

Representation:

Cases settled without hearing:	31%	44%	57%	64%	77%	80%	82%
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Labor-Management Cooperation:

Number of worksite committees assigned BMS mediator:				10	19	34	38
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OBJECTIVES:

Bureau objectives for this program during the F.Y. 1994-95 biennium are:

1. The number of mediation meetings per case shall not exceed an average of 3.
2. The percent of essential employee mediation cases that settle prior to an arbitration award shall be maintained at 60% over the biennium.
3. The number of teacher-school board cases not settled by January 15 shall not exceed 5% of the mediation petitions received.
4. The number of strikes occurring in the public sector during the biennium shall be less than 1%

of the mediation petitions received.

5. The proportion of representation cases settled prior to hearing shall not be less than 75%.
6. The number of representation cases that take more than 30 work days to issue a decision following close of the record shall not exceed 10%.
7. The number of operating worksite labor-management committees shall increase by 5 per fiscal year.

The plan incorporates the need to continue to provide a quality level of dispute resolution service to the public, private and non-profit labor-management communities. The accomplishment of the agency's mission statement and its program goals and objectives will provide an environment conducive for a prosperous people.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET

(DOLLARS IN THOUSANDS)

AGENCY: MEDIATION SERVICES
 PROGRAM: MEDIATION SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1994			FY 1995					
	FY 1991	FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
REPRESENTATION MEDIATION	1,438	1,397	1,499	1,504	1,422	1,386	1,504	1,422	1,386
LMC GOV CONF - BIENNIAL	93	1	87	87	87	87	87	87	87
TOTAL EXPENDITURES BY ACTIVITY	1,531	1,398	1,586	1,591	1,509	1,473	1,591	1,509	1,473
GOV'S INITIATIVES:			FUND						
(A) SALARY PLANNING ESTIMATES			GEN			<36>			<36>
TOTAL GOV'S INITIATIVES						<36>			<36>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,433	1,396	1,498	1,503	1,421	1,385	1,503	1,421	1,385
STATUTORY APPROPRIATIONS:									
GENERAL	5	1	1	1	1	1	1	1	1
SPECIAL REVENUE	93	1	87	87	87	87	87	87	87
TOTAL FINANCING	1,531	1,398	1,586	1,591	1,509	1,473	1,591	1,509	1,473
POSITIONS BY FUND:									
GENERAL	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
TOTAL POSITIONS	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0

1994-95 Biennial Budget

PROGRAM: Labor-Management Cooperative Grant Program
AGENCY: Mediation Services, Bureau of

PROGRAM PURPOSE:

It is the goal of the Bureau of Mediation Services through the Minnesota Area Labor-Management Grant Program to provide matching funds to Area or Industry Labor-Management Councils (ALMC's). The ALMC's objective is to assist labor and management in reducing the incidence of conflict in the collective bargaining process and to foster the establishment of labor-management collaborative partnerships. To accomplish this goal the program offers:

1. Technical services and matching fund grant support for the establishment, training, program development, research and continued operation of ALMC's;
2. Resources for the grant recipients to provide facilitation and training services to assist member employers and unions in establishing worksite committees and;
3. Resources for the recipients to plan and conduct conference, symposia, workshops and other educational programs.

PROSPECTS:

The agency expects the demand from union and management organizations for continued ALMC grant assistance. This demand is reflected by the following trends:

1. Both labor and management are intensifying their search for innovative means and techniques to solve issues outside of the arena of collective bargaining.
2. Joint labor-management worksite and ALMC's will be used as a means of addressing and solving issues related to the economic environment, rising health care costs, and worker productivity and joint problem solving.
3. Major increases in requests from union and management leadership for training in problem solving and planning.

The implication for the Bureau and the grant recipients is an increased demand on their personnel and technical resources. The availability of staff to meet such demands will result in delays in assignment. Even after screening it is likely the agency and the ALMC's will not be able to respond to a significant number of joint requests.

OUTCOMES:

Since 1988, the agency has been involved in the establishment of 8 AMLCs and providing technical assistance to them. These ALMCs, in turn, assist in the development of worksite committees, conduct educational programs and support other projects which emphasize labor-management cooperation on a geographic or industry level.

Over the past 2 years there has been a significant increase in the client demand for both Bureau and ALMC support in the development and implementation of worksite labor-management committees. Currently, 12 worksite committees are operating with the assistance of ALMC's facilitators. This is in addition to the 38 worksite committees currently being assisted by the Bureau.

The following is a history of Area Labor-Management Grant Awards:

	<u>Grant Amount</u>	<u>No. of Grants</u>		<u>Grant Amount</u>	<u>No. of Grants</u>
1986	\$ 50,000	2	1990	\$191,813	6
1987	\$ 50,000	2	1991	\$204,000	7
1988	\$162,500	5	1992	\$234,000	8
1989	\$187,500	6			

These grants have enabled the implementation of nationally recognized innovative programs in labor-management relations.

OBJECTIVES:

Bureau objectives for the grant program during the F.Y. 1994-95 biennium are:

1. To continue to support the expanding programs and services of the current ALMC's through the Minnesota Area Labor-Management Grant Program.
2. The number of ALMC's to increase to 10 over the biennium.
3. The number of new worksite Committees being started with ALMC's assistance to increase by 20 during the biennium.
4. The number of conferences, workshops and educational programs conducted by ALMC's will increase to an average of 10 per fiscal year.

This plan incorporates the need to continue quality level services to labor and management through the grant program. The accomplishment of the programs mission statement, its program goals and objectives will provide an environment and process for a partnership approach to labor-management relations.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

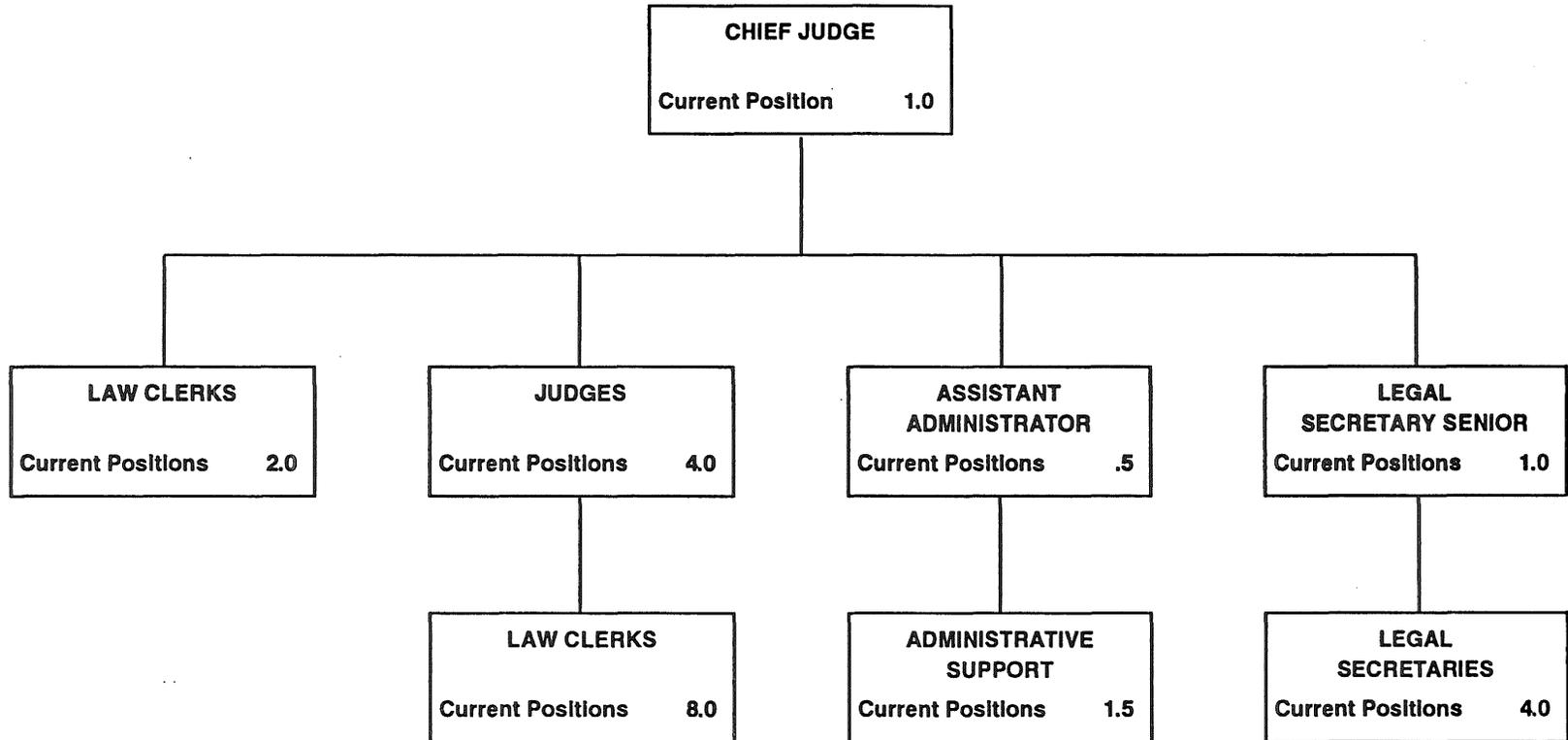
1994-1995 BIENNIAL BUDGET

(DOLLARS IN THOUSANDS)

AGENCY: MEDIATION SERVICES
 PROGRAM: CO-OP LABOR MANAGEMENT PROGRAMS
 ACTIVITY: CO-OP LABOR MANAGEMENT PROGRAMS

ACTIVITY SUMMARY	FY 1994			FY 1995					
	Est. FY 1991	Est. FY 1992	Est. FY 1993	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	77	91	87	87	87	84	87	87	84
EXPENSES/CONTRACTUAL SRVCS	8	2	7	7	7	7	7	7	7
MISC OPERATING EXPENSES	14	13	15	15	15	15	15	15	15
SUPPLIES/MATERIALS/PARTS	4	1	1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	103	107	110	110	110	107	110	110	107
LOCAL ASSISTANCE	288	236	240	240	229	229	240	229	229
TOTAL EXPENDITURES	391	343	350	350	339	336	350	339	336
GOV'S INITIATIVES:									
(A) SALARY PLANNING ESTIMATES						<3>			<3>
TOTAL GOV'S INITIATIVES						<3>			<3>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	391	343	350	350	339	336	350	339	336
TOTAL FINANCING	391	343	350	350	339	336	350	339	336
POSITIONS BY FUND:									
GENERAL	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL POSITIONS	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

Workers' Compensation Court of Appeals Organization Chart 7/1/92



Workers' Compensation Court of Appeals

Position and Employee Status Information

Position Reconciliation:

<u>Authority</u>	<u>Current F.Y. 1993</u>	<u>Requested for 6/30/95</u>
Legislative Complement Workers' Compensation		
Special Fund	<u>22.0</u>	<u>22.0</u>
Total Permanent Positions	<u>22.0</u>	<u>22.0</u>
TOTAL Positions	<u>22.0</u>	<u>22.0</u>
Employees on 6/30/92	22.0	

Employees by Employment Status:

	<u>6/30/92</u>
Full-Time Unlimited	18
Part-Time Unlimited	4
TOTAL	<u>22</u>

Post E-133

**1994-95 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Workers' Compensation Court of Appeals **Fund:** Workers' Compensation Special Fund

1. Summary of Agency Actions:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
CURRENT SPENDING	\$1,321	\$1,331	\$2,652
Forecast Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
AGENCY BASE	\$1,321	\$1,331	\$2,652
Inflation Cost Increases	40	68	108
Agency Management Decisions			
Agency Operations:			
Salary savings - delay filling vacancies	\$(40)	\$(42)	\$(82)
Reduce budget for small and capital equipment		(10)	(10)
Eliminate out-of-state travel		(5)	(5)
Reduce budget for consultant services - computer system development	—	(11)	(11)
Total Agency Decisions	\$(40)	\$(68)	\$(108)
TOTAL AGENCY PLAN	\$1,321	\$1,331	\$2,652
Governor's Initiatives			
Salary Planning Estimates	\$(37)	\$(37)	\$(74)
GOVERNOR'S RECOMMENDATION	<u>\$1,284</u>	<u>\$1,294</u>	<u>\$2,578</u>

Brief Explanation of Agency's Overall Actions:

Overall Impact of Management Decisions: The court's productivity has been increasing steadily in recent years. The court anticipates that above decisions will eliminate the continuing increase in productivity and that total output will stabilize. If at the same time caseload continues to grow at the current rate, a backlog of cases will develop resulting in longer processing time. The court may be able to absorb some additional caseload through innovative measures which might include, for example, utilization of settlement conferences or revisions of rules of practice or operational procedures.

Salary Savings: The court will delay filling vacancies until savings have been realized which are sufficient to cover termination payments and unemployment and workers' compensation claims. Impact: See Overall Impact of Management Decisions in the previous paragraph.

Reduce Budget for Capital Equipment and Consulting Services: The effect of substantial reductions in F.Y. 1995 for capital equipment and consultant services will be to slow down or halt development of the court's computer system and applications. This may limit the court's ability to absorb the increasing caseload.

Out-of-State Travel: The elimination of out-of-state travel in F.Y. 1995 will prevent judges from attending valuable professional training at the National Judicial College and other out-of-state educational facilities. This will not have an immediate direct impact on service.

2. Impact on Staffing:	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	
See brief explanation of agency's overall actions, salary savings above.	0.0	0.0	
3. Impact on Revenue Generation:	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 94-95</u>
Agency Plan	\$-0-	\$-0-	\$-0-
4. Affected Statutes:			
None.			
5. Governor's Recommendation:			

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-95 Biennial Budget

AGENCY: Workers' Compensation Court of Appeals

MISSION:

The Workers' Compensation Court of Appeals has been established by the legislature as the exclusive statewide authority to decide all questions of law and fact in workers' compensation disputes within the court's appellate jurisdiction as provided by M.S. Chap. 175A and 176.

Decisions are written to inform the court's clientele of the basis of the decisions and to create a body of law pertaining to workers' compensation issues. The court's principal objective is to deliver its services as expeditiously as possible while maintaining the integrity and expertise of the judicial decision-making function.

The court consists of 5 judges appointed by the Governor and confirmed by the state Senate. The Governor designates a chief judge from among the judges, who has responsibility for the administration of the court. The court performs an appellate function reviewing decisions of the Workers' Compensation Division of the Department of Labor and Industry and of the Office of Administrative Hearings. The judges review the evidentiary record created by the initial decision-making body; preside over oral arguments; conduct necessary legal research; decide the issues; and issue appropriate written orders, decisions and memoranda. Decisions of this court are appealable directly to the Minnesota Supreme Court.

Clients served by the court include injured workers, employers, insurance companies, attorneys, medical and rehabilitation providers, the Minnesota Supreme Court, Department of Labor and Industry, and the Office of Administrative Hearings.

MINNESOTA MILESTONES:

The court's function has direct and indirect impact upon several of the goals identified by the citizens of Minnesota through the Milestones project. Just and fair decisions providing for the quick and efficient delivery of indemnity and medical benefits to injured workers at a reasonable cost to employers; economic stability for families in financial crises due to work-related illnesses or injuries; timely cure and treatment of work-related illnesses and injuries to enable workers to enjoy good health; a competitive business climate for Minnesota employers; and direction and incentives for employers to provide work environments which are safe and healthy for employees.

CLIMATE:

The primary factors influencing program policy and service delivery continue to be the number of work-related injuries sustained by Minnesota employees and the extent of litigation in such matters. Related factors include safety at the workplace, new legislative and administrative enactments, insurance and rising medical costs, economic conditions, etc.

OBJECTIVES:

The court's objective is to continue its current high level of productivity with fewer resources during the coming biennium and maintain the quality of its services as indicated by the rate of affirmance from the Minnesota Supreme Court.

OUTCOMES:

	Actual F.Y. 1991	Actual F.Y. 1992	Estimate F.Y. 1993	Estimate F.Y. 1994	Estimate F.Y. 1995
Total incoming matters for resolution	595	619	650	682	716
Total matters resolved	668	653	670	670	670
Affirmed by Supreme Court	89%	85%	90%	90%	90%

AGENCY BUDGET PLAN:

During the past fiscal year the court has experienced a substantial increase in its caseload. In addition, the 1992 legislative reforms broadened the jurisdiction of the court concerning medical-related disputes. Despite the increasing caseload and the reduced real level of funding which is expected as a result of inflation, the court is committed to achieving the objectives stated below. The court will meet its budget challenge by some or all, if necessary, of the following methods: salary savings achieved by holding positions vacant avoiding layoffs if possible; reducing or eliminating out-of-state travel for professional educational purposes; postponing further computer systems development; and postponing purchases of capital equipment. The impact of these measures on the court's productivity will be partially offset by the recent and continuing development of the computer network system and its research capability and by revisions of rules of practice and operational procedures.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan; however, the proposed funding has been reduced due to revised salary planning estimates.

1994-1995 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: WORKERS COMP CRT APP
 PROGRAM: WORKERS COMP CT OF APPEALS
 ACTIVITY: WORKERS COMP CT OF APPEALS

ACTIVITY SUMMARY	FY 1991			FY 1992			Est. FY 1993			FY 1994			FY 1995		
	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:															
DETAIL BY CATEGORY:															
STATE OPERATIONS:															
PERSONAL SERVICES	943	986	1,107	1,111	1,111	1,074	1,111	1,111	1,074	1,111	1,111	1,074	1,111	1,111	1,074
EXPENSES/CONTRACTUAL SRVCS	108	110	173	132	132	132	142	142	142	142	142	142	142	142	142
MISC OPERATING EXPENSES	13	18	26	26	26	26	26	26	26	26	26	26	26	26	26
SUPPLIES/MATERIALS/PARTS	22	22	25	25	25	25	25	25	25	25	25	25	25	25	25
CAPITAL EQUIPMENT	1	24	27	27	27	27	27	27	27	27	27	27	27	27	27
SUBTOTAL STATE OPERATIONS	1,087	1,160	1,358	1,321	1,321	1,284	1,331	1,331	1,284	1,331	1,331	1,284	1,331	1,331	1,294
TOTAL EXPENDITURES	1,087	1,160	1,358	1,321	1,321	1,284	1,331	1,331	1,284	1,331	1,331	1,284	1,331	1,331	1,294
GOV'S INITIATIVES:															
FUND															
(A) SALARY PLANNING ESTIMATES			WCS												<37>
TOTAL GOV'S INITIATIVES															<37>
SOURCES OF FINANCING:															
DIRECT APPROPRIATIONS:															
WORKERS COMP SPECIAL	1,087	1,160	1,358	1,321	1,321	1,284	1,331	1,331	1,284	1,331	1,331	1,284	1,331	1,331	1,294
TOTAL FINANCING	1,087	1,160	1,358	1,321	1,321	1,284	1,331	1,331	1,284	1,331	1,331	1,284	1,331	1,331	1,294
POSITIONS BY FUND:															
WORKERS COMP SPECIAL	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
TOTAL POSITIONS	22.0	22.0	22.0												

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: WORKERS COMP CRT APP

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95	F.Y.94	F.Y.95
F.Y.93 FUNDING LEVEL	1,358	1,358			1,358	1,358		
TECHNICAL ADJUSTMENTS								
DOCUMENTED RENT/LEASE INC/DEC INSURANCE PREMIUM HOLIDAY	<41> 4	<31> 4			<41> 4	<31> 4		
SUBTOTAL TECH. ADJ.	<37>	<27>			<37>	<27>		
CURRENT SPENDING	1,321	1,331			1,321	1,331		
AGENCY BASE	1,321	1,331			1,321	1,331		