

Annual Performance Report

Department of Commerce

Part 1: Agency Summary

Mission Statement:

The mission of the Department of Commerce is to serve the citizens of Minnesota by: enforcing state laws and safeguarding consumers' rights and investments; resolving conflicts between consumers and industry; enhancing the stability and strength of the financial and other regulated industries.

These goals, pursued in a professional manner, contribute to a fair and equitable marketplace.

To achieve the department mission, the programs of the department review issues of financial solvency for the regulated financial services industries; assure that investment products and insurance policies sold meet minimum standards of fairness and are understandable; and assure policy holder and investor protection and understanding through enforcement of statutes and rules regulating the financial services industries.

The department is organized into 5 programmatic areas: financial examinations, registration and analysis, petroleum tank release clean-up fund, administrative services and enforcement and licensing.

These programs perform the functions identified in order to achieve the following goals and objectives:

- to ensure consumer trust and confidence in banks, thrift institutions, insurance companies and other lending institutions;

- to ensure the investor, borrowing consumer, policyholders and depositors safe and solvent financial institutions;

- to investigate complaints from the general public to determine whether the activities constitute violations of law and to take appropriate administrative disciplinary action;

- to assure the general public that persons engaged in the sale of financial services and products meet minimum standards of expertise and moral character;

- to constantly monitor rapidly changing market conditions and practices;

- to limit the sale of illegal business investments;

to administer state laws affecting securities and insurance products through the review of policy forms to ensure that they are not inadequate or unfairly discriminatory;

to ensure that the rates charged for insurance products are not excessive;

to assure that all securities products are in compliance with merit and disclosure standards as required by law;

and to assure that the cost of clean-up of leaking underground storage tanks are reimbursed pursuant to the Petroleum Fund statutes and rules.

Part 2: Program Information

Agency: Department of Commerce

Program: Financial Examinations

Program Purpose: The purpose of this program is to enhance the stability and strength of banks, credit unions, consumer lending companies and insurance companies licensed and operating in the State of Minnesota and to monitor compliance with Minnesota statutes as they relate to insurance company solvency, and to license these entities to do business in Minnesota.

Minnesota's banks, credit unions and other depository institutions face potential losses from the flooding experience in a major portion of the Minnesota agricultural community this past spring. This happened right after banks were beginning to recover from the worst agricultural crisis of the agricultural economic crisis of the 1980's. While most of the problems of the 1980's have been worked out, the potential problem of the 1993 flooding is yet to be determined. Minnesota is experiencing solid earnings and capital reserve is building across the State. Margins between cost of funds and income from loans that are performing has fueled the recovery. Continued credit is available and below average loan to deposit ratios exist.

Consolidation has occurred at a rapid rate and banks are reporting strong performance. However, we are closely monitoring the affects of the flooding and impact that will have on Minnesota's banking system.

Over the last three years, several large life insurance companies have become insolvent as a result of large investments in non-investment grade bonds and real estate. There are many life insurers that, while not insolvent today, remain in a weakened condition as a result of similar investments. These problems will continue over the near term as highly leveraged companies continue to struggle in today's economic environment and the real estate market remains depressed.

Property and casualty insurers also appear to be headed for lower earnings and weakened condition in the near future. This will result from continued intense competition as companies lower premiums to maintain market share and have the need to build reserves over the next few years. Recent natural disasters such as Hurricanes Andrew and Hugo and the San Francisco earthquake have also served to weaken property and casualty insurers.

The long term outlook for the insurance industry will be one of change, competitiveness, and uncertainty. This will result from the continued globalization of financial markets and deregulation of other segments of the financial industry in the United States. As a result, insurers in the United States will be forced into increased competition with insurance companies in other countries and from other segments (i.e., banks) of the United States financial services industry. To meet the competition, insurance companies will develop new products and some will make riskier investments in an attempt to offer higher returns on their products.

From a regulatory standpoint, there have been and will continue to be major changes. In the wake of recent insurance company failures. There have been congressional hearings regarding the effectiveness of state insurance regulation. Certain members of Congress would like to see federal regulation of insurance companies. This type of action would have significant impact on the way the State does business in the area of insurance regulation.

The Department has achieved and maintained accreditation with both the Conference of State Bank Supervisors (CSBS) and the National Association of Insurance Commissioners (NAIC). To earn accreditation, a department must meet certain standards in the quality and timeliness of its examinations, continuing education, and participation in organization committees. The accreditation's are subject to annual review.

The financial examinations program has the following primary goals: to make every effort to prevent insolvency's; to minimize the number of institutions for which regulatory action needs to be taken; to minimize assessments made by the Minnesota guaranty associations; to minimize the number of foreign insurers who are placed under supervision that are not restricted as to Minnesota business; to issue licenses and charters to qualified applicants to do business in Minnesota; and to maintain the division's CSBS and NAIC accreditation's.

Performance Objectives and Measures:

1. To protect the investments of Minnesota consumers by the regulation of solvency of banks, credit unions, consumer lending companies and insurance companies.

Measure: Number of institutions under regulatory action.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Banks							
Credit Unions							
Consumer Credit Companies							
Domestic Insurance Companies							
Unrestricted Foreign Insurers							

Measure: Maintenance of Divided Examination Program for bank examination. (Yes/No measure.)

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Measure: Financial institutions listed by CAMEL rating.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
CAMEL 1 and 2							
Banks							
Credit Unions							
Consumer Credit Companies							
Insurance Companies							

CAMEL 3

Banks
Credit Unions
Consumer Credit Companies
Insurance Companies

CAMEL 4 and 5

Banks
Credit Unions
Consumer Credit Companies
Insurance Companies

Measure: The percentage of examinations completed within 60 days of exit of institution.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Banks							
Credit Unions							
Consumer Credit Companies							
Insurance Company Field Examinations							

Measure: Number of examinations completed in comparison to examinations scheduled and not addressed.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Banks							
Credit Unions							
Consumer Credit Companies							
Insurance Company Field Examinations							

Measure: The percentage of assessments made by Minnesota guaranty associations to total premiums.

				Objectives			
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>	

2. To issue licenses to qualified companies to do business in Minnesota.

Measure: New applications reviewed and addressed within established time frames.

				Objectives			
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>	

Banks
 Credit Unions
 Consumer Credit Companies
 Insurance Companies
 Domestic
 Foreign

Measure: Number of licenses renewed to continue authority to do business in Minnesota.

				Objectives			
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>	

Banks
 Credit Unions
 Consumer Credit Companies
 Insurance Companies
 Domestic
 Foreign

Measure: Total number of charters/licenses existing for Minnesota business activity.

				Objectives			
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>	

Banks
 Credit Unions
 Consumer Credit Companies
 Insurance Companies
 Domestic
 Foreign

3. Maintenance of division accreditation from the CSBS and NAIC.

Measure: Pass/Fail CSBS annual review for maintenance of accreditation.

					Objectives		
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>	

Measure: Passing score from the NAIC accreditation team.

					Objectives		
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>	

Part 3: Substantiating the Performance Measures

Agency: Department of Commerce

Program: Financial Examinations - Banks, Credit Unions and Consumer Lending

Objective 1. To protect the investments of Minnesota consumers by the regulation of solvency of banks, credit unions, consumer lending companies and insurance companies.

Measure: Number of institutions under regulatory action.

Definition: The number of banks, credit unions, consumer credit companies and insurance companies licensed to do business in Minnesota that are operating under an order for action.

Rationale: This measure identifies the corrective action the Department will take as a result of solvency regulation. In comprehensive review and analysis of books and records of institutions, examinations identify trends that could potentially affect the solvency of the licensee. The Department will recommend a corrective course of action to allow the business to continue to function while protecting the assets and risk of the institution going to insolvency.

Data Source: Examination reports and actions taken by the Department.

Factors Beyond Agency's Control That Affect Performance: The day-to-day operations of an institution and that institutions management have a direct impact on this measurement. The willingness of an institution to take the recommendations of the Department and implement them into there business environment have a significant impact. However, the Department still has the ultimate control by way of certificate of authority, charter and license to do business. Should an entity not take the Department's recommendation into account, they may be putting their own ability to do business at risk.

Measure: Maintenance of Divided Examination Program for bank examination. (Yes/No measure.)

Definition: The Divided Examination Program (DEP) is a joint agreement between the Department and the Federal Deposit Insurance Corporation (FDIC) to share examination schedules and information for well rated banks. The regulators alternate examinations with the State going in for one cycle and the FDIC the next.

Rationale: The DEP demonstrates a continued confidence in the state's ability to perform qualified, complete and quality examinations. It indicates the necessary procedures are in place which demonstrate solvency detection criteria. It provides for an effective use of resources for both the federal regulator and the state in that information is shared and not duplicated for the purposes of solvency regulation.

Data Source: The DEP agreement between the FDIC and the State of Minnesota.

Factors Beyond Agency's Control That Affect Performance: None

Measure: Financial institutions listed by CAMEL rating.

Definition: CAMEL ratings are a way of identifying the financial condition of an institution. CAMEL stands for evaluation of Capital, Asset Quality, Management, Equity and Liability. The rating, on a one to five scale evaluates the overall condition of an institution.

Rationale: The CAMEL rating is an overall rating on the general financial condition of an institution and the first trigger of a potential solvency concern. This also measures the overall financial condition of the financial services industry. CAMEL tells the Department about the general condition of financial institutions and indicates, when trends change, whether or not the Department needs to assess resources and direct efforts in a given direction.

Data Source: Examination Reports.

Factors Beyond Agency's Control That Affect Performance: None.

Measure: The percentage of examinations completed within 60 days of exit of institution.

Definition: Measures the amount of time from the exit of the examiners to the completion of the reports, recommendations and actions regarding a licensed institutions activities.

Rationale: Indicates the level of performance of review staff in their evaluation of findings as the result of on-site examination activities. This measure demonstrates the effectiveness of the Supervisory Action Review Committee (SARC) analysis and the follow up on activities of on-site examinations.

Data Source: Examination reports and SARC committee schedules.

Factors Beyond Agency's Control That Affect Performance: None

Measure: Number of examinations completed in comparison to examinations scheduled and not addressed.

Definition: The number of examinations scheduled in a given time frame in comparison to the number actually completed.

Rationale: Demonstrates examination process effectiveness. Indicates whether or not the time scheduled for examinations is well thought out and complete. Indicates whether or not changes are occurring in the work environment that would require a change in the time necessary to complete examinations.

Data Source: Examination reports, schedules and time records of examiners.

Factors Beyond Agency's Control That Affect Performance: Changes in the economy and economic condition of an institution can have a direct impact in the amount of time necessary for the completion of an examination.

Measure: The percentage of assessments made by Minnesota guaranty associations to total premiums.

Definition: The total amount of assessments made by the Minnesota guaranty associations divided by the total amount of premiums written in Minnesota.

Rationale: State law designates the Department of Commerce as the agency primarily responsible for the regulation of insurance companies. Included in this regulation is the requirement to assess insurance companies if an insurer becomes insolvent. This outcome measure directly demonstrates the exposure to the insurance consumer and, therefore, whether we are making progress toward the above stated objective. When an insurance company becomes insolvent, the policyholders are protected by the guaranty associations from losing their investments. As more insolvency's take place in the insurance industry, there is a greater need for assessments, especially if the insolvent insurer has significant business in Minnesota.

Data Source: The Department will use assessment data from the Minnesota Insurance Guaranty Association and the Minnesota Life & Health Insurance Guaranty Association. Premium information will come from the annual statements of licensed insurance companies.

Factors Beyond Agency's Control That Affect Performance: The ultimate goal of the Department would be that there is no need for assessments. However, as the Department can not oversee the day-to-day management of the insurance companies, internal company events can occur that are beyond the control of the Department, which may cause an insolvency. In addition, outcomes may be affected by other external sources, such as the strength of the economy. Lastly, as the Department can not fully control the regulation of all foreign insurance companies, there is some dependence on other state insurance departments for information on these foreign insurers. The Department has no control on the regulatory efforts of these other state insurance departments. Additionally, the guaranty associations may continue to levy assessments as a result of prior insolvency's.

2. To issue licenses to qualified companies to do business in Minnesota.

Measure: New applications reviewed and addressed within established time frames.

Definition: Applications are submitted for new businesses to grant authority to operate in Minnesota.

Rationale: Applications submitted from entities that desire authority to do business in Minnesota need to be reviewed by Department staff to assure compliance with statutes and rules

for solvency. For many of the applications, time frames for processing exist either in statute, rule or operating procedure. This measure indicates our effectiveness in turning these new applications into business opportunities in Minnesota.

Data Source: Department records.

Factors Beyond Agency's Control That Affect Performance: Only volume of applications would have an impact on this measure.

Measure: Number of licenses renewed to continue authority to do business in Minnesota.

Definition: This is the number of existing licenses that are currently doing business in Minnesota that wish to continue to do so.

Rationale: This demonstrates the number of healthy business entities that want to continue to compete in the Minnesota marketplace. The measure indicates the value of the Minnesota market and the positive conditions of Minnesota for the financial services industry.

Data Source: Department licensing records.

Factors Beyond Agency's Control That Affect Performance: Economic and business environment has a direct impact on an entities desire to continue to operate and be licensed here.

Measure: Total number of charters/licenses existing for Minnesota business activity.

Definition: This is the total number of new, renewed and withdrawn charters and licenses.

Rationale: The measure can demonstrate the financial condition of the Minnesota market for the financial services industry. This measure directly relates to business climate and the effectiveness of the Department in regulatory responsibilities.

Data Source: Department records.

Factors Beyond Agency's Control That Affect Performance: At any time and for any reason, a business can decide to cease activity in Minnesota. By doing so, this has a direct impact on the measurement of this objective.

3. Maintenance of division accreditation from the CSBS and NAIC.

Measure: Pass/Fail CSBS annual review for maintenance of accreditation.

Definition: CSBS annually reviews the performance of an accredited state.

Rationale: Continued accreditation demonstrates that the agency has established examination procedures that comply with requirements for complete, comprehensive examinations. As well, the accreditation indicates that the agency has established procedures for solvency review, identified training for continuously maintaining knowledge of examination staff and kept abreast of changes in the industry.

Data Source: CSBS accreditation team.

Factors Beyond Agency's Control That Affect Performance: None

Measure: Passing score from the NAIC accreditation team.

Definition: The NAIC accreditation team, after reviewing the quality and timeliness of the Department's field and desk examinations, will either allow the Department to retain its accreditation or revoke the accreditation.

Rationale: State law designates the Department of Commerce as the agency primarily responsible for the regulation of insurance companies. The accreditation standards define the principles that should be followed for effective insurance regulation.

This outcome measure directly demonstrates whether we are making progress toward the above stated objective. If the accreditation team determines that the Department has met the standards, it means that the tools are in place for all insurance companies to be regulated efficiently and effectively.

Data Source: The NAIC accreditation team.

Factors Beyond Agency's Control That Affect Performance: Part of the accreditation standards include the need for various "model laws" from the NAIC to be part of the state's insurance laws. The Department has no control over the decision of the Legislature in instituting these model laws into Minnesota statutes.

Part 2: Program Information

Agency: Department of Commerce
Program: Registration and Analysis

Program Purpose: The purpose of this program is to ensure that investment and insurance products sold in Minnesota are not unfair, inequitable, or fraudulent and to protect the interests of the investing consumers. The program is also responsible to ensure that companies which self-insure their automobile and workers compensation liability possess the financial ability to assume the risk of those obligations.

The Registration activity of this program has the following goals: preventing the sale of unfair and inequitable securities and franchises; ensuring full and fair disclosure in all offering documents; ensuring that sellers of subdivided land and camping club memberships do not engage in fraud, misrepresentation or unfair practices; and to ensure compliance with minimum standards for financial responsibility and experience for securities broker-dealers, agents and investment advisors.

The securities industry is expanding to meet the challenge of increasing globalization; continued diligence in reviewing securities offerings is essential to assess the fairness of new products created in response to new markets. Franchise purchasers often invest their entire life savings in new business opportunities; close review of franchise offerings to determine fairness can be critical to the livelihood of an investor. The partitioning which occurs with membership clubs and subdivisions can complicate the transfer of land title; review of such offerings is necessary to protect titles as well as to prevent fraud. Regulation of broker-dealers and investment advisors helps to ensure that unsuitable investments are not sold to investors, and to prevent fraudulent sales.

Every Minnesotan is affected by various insurance coverages and the rate and specific language of insurance contracts remain critical regulatory issues. Virtually all insurance contracts must be filed and approved prior to issuance. Thirty chapters of law impact the terms of life, health, property and casualty insurance. Congress and the Minnesota legislature continue to prescribe specific standards and language for the protection of consumers and the solvency of the insurance industry. Most insurance rates are filed with the agency for acceptance or approval. The portion of total premiums paid in claims (the "loss ratio") is an important indicator of relative value and is a legal requirement for some types of insurance.

Large businesses may pay their own losses on risks such as auto liability, workers' compensation, and health plans. State law requires self-insureds to deposit adequate funds and report regularly to safeguard potential victims.

The Policy Analysis and Self-Insurance program has the following primary goals: providing timely review of filed forms and rates; and applying uniform legal standards in the review, acceptance or approval process.

Performance Objectives and Measures

1. To ensure that products and offerings sold in Minnesota comply with requirements identified in Statute and Rule.

Measure: The number of applications/filings reviewed per year.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Securities Offerings							
Common Stock							
Mutual Funds							
Limited Partnerships							
Debt Instruments/Preferred Stock							
Camping Club Membership Offerings							
Franchise Offerings							
Subdivided Land Offerings							
Life and Health Policy Filings							
Life and Health Rate Filings							
Property/Casualty Policy Filings							
Property/Casualty Rate Filings							
Workers Compensation Self-Insurance Applications							
Auto Self-Insurance Applications							

Measure: The number of applications/filings with initial filing deficiencies requiring additional action for compliance.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Securities Offerings							
Common Stock							
Mutual Funds							
Limited Partnerships							
Debt Instruments/Preferred Stock							
Camping Club Membership Offerings							
Franchise Offerings							
Subdivided Land Offerings							
Life and Health Policy Filings							
Life and Health Rate Filings							
Property/Casualty Policy Filings							
Property/Casualty Rate Filings							

Workers Compensation Self-Insurance
 Applications
 Auto Self-Insurance Applications

Measure: Percentage of applications denied/withdrawn or not approved.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Securities Offerings							
Common Stock							
Mutual Funds							
Limited Partnerships							
Debt Instruments/Preferred Stock							
Camping Club Membership Offerings							
Franchise Offerings							
Subdivided Land Offerings							
Life and Health Policy Filings							
Life and Health Rate Filings							
Property/Casualty Policy Filings							
Property/Casualty Rate Filings							
Workers Compensation Self-Insurance							
Applications							
Auto Self-Insurance Applications							

Measure: Review completion time.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Securities Offerings							
Common Stock							
Mutual Funds							
Limited Partnerships							
Debt Instruments/Preferred Stock							
Camping Club Membership Offerings							
Franchise Offerings							
Subdivided Land Offerings							
Life and Health Policy Filings							
Life and Health Rate Filings							
Property/Casualty Policy Filings							
Property/Casualty Rate Filings							
Workers Compensation Self-Insurance							
Applications							
Auto Self-Insurance Applications							

Part 3: Substantiating the Performance Measures

Agency: Department of Commerce
Program: Registration and Analysis

Objective 1. To ensure that products and offerings sold in Minnesota comply with requirements identified in Statute and Rule.

Measure: The number of applications/filings reviewed per year.

Definition: The number of actual applications/filings submitted to the Department on an annual basis for review.

Rationale: This indicates the volume of applications and filings submitted to the Department. It allows us to identify economic trends and activities in the investment and insurance markets and to assess resources needed to address industry concerns. A new filing may indicate a new business product. This will require additional resources as new products will bring forth many consumer questions regarding that product.

Data Source: Department records.

Factors Beyond Agency's Control That Affect Performance: Economy. The economy will dictate whether there is a market for increased activity in all the registration and policy analysis areas.

Measure: The number of applications/filings with initial filing deficiencies requiring additional action for compliance.

Definition: Total number of applications divided by the number of applications which have been determined by an examiner's initial review to be not in compliance with statute or rules.

Rationale: State law designates the Department of Commerce as the agency primarily responsible for regulating securities and franchise offerings and sales of campground memberships, subdivided land, insurance policy form and rate filings and self-insurance applications. This program examines the documents submitted with offerings and filings to determine whether they can be sold in Minnesota. This measure demonstrates whether we are making progress toward the objective stated above.

Data Source: Minnesota Department of Commerce records.

Factors Beyond Agency's Control That Affect Performance: Market conditions dictate whether investors ultimately make or lose money, often in spite of the protection provided to consumers by the program. The ability to sell a product will generally control the activity in this area.

Measure: Percentage of applications denied/withdrawn or not approved.

Definition: Total number of applications divided by the number of applications which ultimately are not brought into compliance.

Rationale: State law designates the Department of Commerce as the agency primarily responsible for regulating securities and franchise offerings and sales of campground memberships, subdivided land, insurance policy form and rate filings and self-insurance applications. This program examines offerings and filings to determine whether they can be sold in Minnesota. This measure completes the statistical picture described above by indicating the percentage of applications that fail to comply with the requirements for registration or sale, thereby further demonstrating whether we are making progress toward the objective.

Data Source: Minnesota Department of Commerce records.

Factors Beyond Agency's Control That Affect Performance: Market conditions dictate whether investors ultimately make or lose money, often in spite of the protection provided to consumers by the program. The ability to sell a product will generally control the activity in this area.

Measure: Review completion time.

Definition: The average elapsed days from receipt to closing of files calculated for each calendar year.

Rationale: Insurance rates and forms to be reviewed and placed on file with our agency have a review time identified in statute as to the type of filing. The timeliness of the Department review process affects business costs and access to markets.

Data Source: Department of Commerce records

Factors Beyond Agency's Control that Affect Performance: None

Part 2: Program Information

Agency: Department of Commerce
Program: Petroleum Tank Release Clean-up Fund

Program Purpose: Encouraging Minnesota citizens and businessowners who own and operate petroleum tanks to clean-up any past and future releases that may effect public health and land use through partial financial reimbursement of the costs of the clean-up, and since private insurance is not available, providing a mechanism for tank owners to demonstrate that they have the up to \$1 million of financial assurance required by federal regulations to cover potential costs of clean-up and damages.

Established in 1987 and certified by the Environmental Protection Agency (EPA), this financial support program provides impetus to accomplish environmental clean-up which has often proven to be too expensive for individuals and businesses to afford. The Minnesota Pollution Control Agency (MPCA) directs the clean-up actions. Working closely with the MPCA, the Petrofund board and staff administer the fund, which is funded by a \$.02 per gallon fee imposed on petroleum distributors.

New federal regulations require the replacement of approximately 40,000 underground storage tanks at over 15,000 Minnesota sites over the next six years. Currently only approximately 6,000 sites have begun the clean-up and/or reimbursement process.

The Petrofund Board, which is staffed by the Department of Commerce, has the following goals: providing legitimate and necessary funds that enable effective environmental clean-up; administering the pay-out of these funds in a fair, reasonable, equitable, cost effective, and timely manner; and assuring the public that the Petrofund dollars are practically, viably, and ethically spent.

Performance Objectives and Measures:

1. To provide for payment of claims within a reasonable time-frame.

Measure: Number of applications processed annually.

					Objectives		
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>	

Measure: Actual time between approval and payment.

					Objectives	
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u> <u>2000</u>

Approval
Payment

Measure: Processing time between receipt of application and approval.

					Objectives	
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u> <u>2000</u>

2. Cost containment measures and fraud detection measures will be implemented and applied to assure proper and reasonable payment of expenses.

Measure: Average payout of fund dollars for clean-up per site.

					Objectives	
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u> <u>2000</u>

Measure: Number of investigations of potential fraudulent reimbursement.

					Objectives	
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u> <u>2000</u>

Measure: Number of administrative actions taken when violation has occurred.

					Objectives	
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u> <u>2000</u>

Measure: Discovery-to-action time.

					Objectives	
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u> <u>2000</u>

Part 3: Substantiating the Performance Measures

Agency: Department of Commerce
Program: Petroleum Tank Release Clean-up Fund

1. To provide for payment of claims within a reasonable time-frame.

Measure: Number of applications processed annually.

Definition: The number of applications for reimbursement of clean-up cost received by the Board on an annual basis.

Rationale: The measure indicates the volume of application for reimbursement the Board receives. All applications have to be reviewed and are paid when approved and funds are available. The volume of applications demonstrates the number of clean-up activities and thereby indicates the overall effectiveness of the program.

Data Source: Petro-Fund records.

Factors Beyond Agency's Control That Affect Performance: The activities of the Minnesota Pollution Control Agency (MPCA) in determining spills is the control factor in generating applications

Measure: Actual time between approval and payment.

Definition: The amount of time lapsed between the approval of an application for payment and the actual receipt of the payment.

Rationale: The Petro-Fund has had significantly larger amounts of reimbursement requests than available funds. As a result, action was taken to increase the fee thereby generating additional revenue. The measure will indicate whether or not the program can be sufficiently funded by the current revenue.

Data Source: Department records.

Factors Beyond Agency's Control That Affect Performance: Availability of funding to make claims payments.

Measure: Processing time between receipt of application and approval.

Definition: The amount of time it takes from the initial receipt of an application to the final approval of a claim.

Rationale: Petrofund staff analysts process applications for reimbursement when stages of the clean-up have been completed. The number of owners commencing clean-ups has out-paced the funding for staffing and computerization of this program, a six month delay in the processing of applications developed. Volume/demand exceeded available supply of both staff and money to pay the claims processed. Remedies for this were addressed by the 1993 Minnesota Legislature and the Department goal is to reduce this delay as previously stated in the performance objectives.

Data Source: Petrofund records.

Factors Beyond Agency's Control That Affect Performance: An increase of applicants over that previously experienced and an increase in processing of approvals for various stages of clean-up by the MPCA would definitely reduce the Department's opportunity to achieve this objective. The reverse would positively effect the achievement of this objective.

2. Cost containment measures and fraud detection measures will be implemented and applied to assure proper and reasonable payment of expenses.

Measure: Average payout of fund dollars for clean-up per site.

Definition: The average amount paid from the fund to tank owners for cost of leak or spill clean-up.

Rationale: Changes in this measure will indicate the effectiveness of the cost containment measures implemented by the Department and the Legislature. Controls have not been in place to attempt to control cost of contractor clean-up activities. The Department will attempt to place stricter controls on the activities of contractors and thereby protect the fund from reimbursement of inappropriate cost.

Data Source: Department payment records.

Factors Beyond Agency's Control That Affect Performance: None

Measure: Number of investigations of potential fraudulent reimbursement.

Definition: The program has identified resources to investigate activities of applicants, contractors and vendors providing clean-up service. Investigations will be generated by complaint activity and application review process.

Rationale: The investigation of potentially fraudulent activity will attempt to eliminate this activity from occurring and protect the fund balance from the actions of deceptive contractors.

Data Source: Department records.

Factors Beyond Agency's Control That Affect Performance: None

Measure: Number of administrative actions taken when violation has occurred.

Definition: Action will range from letters of sanction to removal of approval of a contractor to do fund business.

Rationale: This will demonstrate the Department effort to control cost, prevent fraud and protect the fund from illegal, uncontrolled activity.

Data Source: Department records.

Factors Beyond Agency's Control That Affect Performance: The Petro Fund investigation activity is only two months old. It will take some time before this can be an effective deterrent for anyone who desires to over charge the fund for clean-up activity.

Measure: Discovery-to-action time.

Definition: The time from the discovery of a leak or spill to the time clean up begins and reimbursement starts.

Rationale: This amount of time has an overall impact on the cash flow of the fund. This time frame has a direct relationship to the obligation of fund dollars. The earlier leaks or spills are detected, the less costly the clean-up and repair of the environment.

Data Source: Commerce and MPCA records.

Factors Beyond Agency's Control That Affect Performance: Reporting of spills and clean-up responses of the MPCA.

Part 2: Program Information

Agency: Department of Commerce
Program: Enforcement and Licensing

Program Purpose: The purpose of this program is to ensure policyholder, investor and consumer protection; to increase policyholder and investor understanding and to maintain investor and public confidence in the areas of capital formation, insurance, securities, franchising, real estate, real estate appraising, residential contracting, currency exchange, debt collection, consumer finance, and cosmetology.

The program is comprised of three separate activities, investigations, licensing and unclaimed property. The investigations activity responds to consumer and practitioner complaints and inquiries, relating to regulations, practices and procedures within the regulated industry. The activity investigates complaints, initiates disciplinary action, and acts as a informational resource to consumers and practitioners.

The licensing activity administers approximately 17 licensing programs involving approximately 190,000 individuals and companies practicing within the regulated industries and professions in Minnesota. The program was implemented to ensure that industry practitioners meet basic competency standards and to establish and maintain a data base to ensure that practitioners can be identified and located in the event problems or questions arise relating to their activities.

The unclaimed property activity is responsible for receiving reports from holders of abandoned property and maintaining records to identify the owners of the property for the purpose of returning the property to the rightful owner.

The Department expects to see a continuing increase in the level of activity within the regulated industries. Our aging population will very likely increase utilization of insurance products and significantly increase the level of participation within the financial industries, as they attempt to establish and/or insure their future economic security.

In addition, periods of economic stagnation, and/or recession will result in increased levels of unemployment. As a result, more and more Minnesota residents will likely turn to the regulated industries as a method of achieving their economic goals and objectives. Therefore, it is likely that the level of interest and participation (by licensees) will continue to increase for the foreseeable future.

During the past decade, there has also been a continuing trend in both local and federal governmental agencies towards deregulation and downsizing. This has subsequently resulted in an increase reliance on state regulatory programs to "fill the gap". It is likely that this trend will continue and that the Department will be expected to fulfill many of the regulatory responsibilities previously performed by other state or local governmental agencies.

The program has the following goals: to respond to all requests for assistance or information coming into the Department in a prompt, efficient and effective manner; to maintain consumer confidence in the areas of capital formation, insurance, real estate, securities, franchising, residential contracting, currency exchange, debt collection and cosmetology; to provide a cost effective and efficient system of licensure for companies and individuals working within the regulated industries, that will ensure that licensees possess at least the minimum level of competency necessary to function effectively; and to obtain reports from all holders of property deemed abandoned under the statute, to respond to all requests for assistance or information regarding unclaimed property in a prompt, efficient and effective manner and to return property held by the state to rightful owners.

PERFORMANCE OBJECTIVES AND MEASURES:

1. To enforce statutes and rules governing the business practices of the Department's regulating industries, equitably and fairly while providing maximum consumer protection.

Measure: The number of complaints filed by industry.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Insurance Companies							
Insurance Agents							
Real Estate							
Securities Investments							
Securities Agents/Broker-Dealers							
Franchise							
Appraiser							
Residential Contractors							
Roofers							
Remodelers							
Mobil Home Installers/Manufacturers							
Cosmetology							
Currency Exchange							
Debt Collectors							
Consumer Finance							

Measure: Number of actual investigations opened.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Insurance Companies							
Insurance Agents							
Real Estate							

Securities Investments
 Securities Agents/Broker-Dealers
 Franchise
 Appraiser
 Residential Contractors
 Roofers
 Remodelors
 Mobil Home Installers/Manufacturers
 Cosmetology
 Currency Exchange
 Debt Collectors
 Consumer Finance

Measure: Number of investigations closed with no action.

					Objectives		
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Insurance Companies
 Insurance Agents
 Real Estate
 Securities Investments
 Securities Agents/Broker-Dealers
 Franchise
 Appraiser
 Residential Contractors
 Roofers
 Remodelors
 Mobil Home Installers/Manufacturers
 Cosmetology
 Currency Exchange
 Debt Collectors
 Consumer Finance

Measure: Average number of days to investigate complaints filed with the Department against licensees.

					Objectives		
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Measure: The number of actual disciplinary actions taken.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Insurance Companies							
Insurance Agents							
Real Estate							
Securities Investments							
Securities Agents/Broker-Dealers							
Franchise							
Appraiser							
Residential Contractors							
Roofers							
Remodelors							
Mobil Home Installers/Manufacturers							
Cosmetology							
Currency Exchange							
Debt Collectors							
Consumer Finance							

2. To provide quality customer service and response to consumers to increase understanding of the operations and business practices of regulated industries.

Measure: Average days to respond to consumer inquires of the Department

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Measure: The number of telephone calls abandon by callers as a percentage of the total number of calls place to the Division.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Licensing
Enforcement
Unclaimed Property

Measure: The number of inquiries/complaints resolved by the ConsumerResponse Team (without the initiation of a formal investigative procedure) as a percentage of the total number of inquiries/complaints received by the Division.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Measure: The number of Minnesota residents attending presentations designed by the Division to increase the level of public and practitioner understanding of statutes and rules relating to the regulated industries.

Objectives						
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Measure: The number of Minnesota residents provided with printed educational materials developed by the Division to provide a better understanding of statutes, rules, practices and procedures within the regulated industries.

Objectives						
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Measure: Administrative action taken not appealed.

Objectives						
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

3. To license qualified entities to do business in regulated industries to provide access to employment opportunities in a prompt and efficient manner.

Measure: The average number of days necessary to process a license application.

Objectives						
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Measures: The average number of days necessary to renew a license previously issued by the Department.

Objectives						
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Measure: The number of license applications processed without having to elicit additional information from applicants as a percentage of the total number of license applications processed by the Division.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

4. To return abandoned and unclaimed property to rightful owners and/or heirs.

Measure: The number of holders which file reports with the division on an annual basis.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Measure: The amount of property returned to owners as a percentage of the total amount received by the division.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

Part 3: Substantiating the Performance Measures

Agency: Department of Commerce
Program: Enforcement and Licensing

1. To enforce statutes and rules governing the business practices of the Department's regulating industries, equitably and fairly while providing maximum consumer protection.

Measure: The number of complaints filed by industry.

Definition: A total of the number of complaints filed with the Department by industry regulated.

Rationale: This measure identifies the complaint activity by industry for the Department which can identify trends and the need to concentrate resources in a given area.

Data Source: Case management records.

Factors Beyond Agency's Control That Affect Performance: None

Measure: Number of actual investigations opened.

Definition: The number of complaints filed that lead to actual investigations of alleged misconduct by a licensee.

Rationale: This measure will indicate the number of actual investigations that result from the complaint activity of individuals doing business with regulated industries.

Data Source: Case management records.

Factors Beyond Agency's Control That Affect Performance: The activities of regulated individuals and the potential for violations.

Measure: Number of investigations closed with no action.

Definition: Investigations closed as a result of no violation found or evidence could not lead to the conclusion that a violation occurred.

Rationale: When a complaint is filed, the Department has a responsibility to investigate the allegations. There are times when investigation resources are spent and no action can occur because the investigation failed to produce the required evidence to prove or disprove an allegation.

Data Source: Case management records.

Factors Beyond Agency's Control That Affect Performance: None

Measure: Average number of days to investigate complaints filed with the Department against licensees.

Definition: The amount of time in days to investigate a complaint.

Rationale: The Department is responsible for investigating complaints relating to the regulated industries and when appropriate initiating disciplinary action in order to deter future misconduct. Currently, the Department receives between eight and ten thousand inquiries and complaints each year. Many of these complaints cannot be resolved or responded to in an expedited fashion by the CRT. The Division's objective is to resolve these "formal investigations" as quickly as possible while still insuring the integrity and credibility of the investigative process. This outcome measure will help to identify whether we are making progress towards reducing the time required to complete formal investigations.

Data Source: The Department is currently updating its computerized case management capabilities and will be able to identify the number of business days between the assignment of a formal investigative file and its subsequent conclusion/closing.

Factors Beyond Agency's Control That Affect Performance: The availability of complete and accurate information necessary to draw conclusions in an investigation.

Measure: The number of actual disciplinary actions taken.

Definition: "Formal disciplinary action" includes statement of charges, license revocations, censures, suspensions, cease and desist orders and other civil and administrative actions.

Rationale: This measurement will show the number of licensees who have been disciplined by either fine, license revocation, or other license action per thousand licensees. It will assist in identifying the Department's success in identifying violations and imposing formal sanctions to ensure both immediate and future compliance.

Data Source: The Department's current automated case management system does identify the aggregate number of disciplinary actions initiated by the Department on both a monthly and annual basis. The Department's automated system of licensure can track the total number of individuals and companies licensed by industry on an annual or monthly basis.

Factors Beyond Agency's Control That Affect Performance: None

2. To provide quality customer service and response to consumers to increase understanding of the operations and business practices of regulated industries.

Measure: Average days to respond to consumer inquiries of the Department

Definition: The amount of time in days to respond to an inquiry.

Rationale: The Department is responsible for responding to information requests and inquiries relating to the regulated industries and when appropriate initiating action in order to deter future misconduct. Currently, the Department receives between eight and ten thousand inquiries and complaints each year. Many of these inquiries are resolved or responded to in an expedited fashion by the CRT. The Division's objective is to resolve these "informal investigations" as quickly as possible while still insuring the integrity and credibility of the process. This outcome measure will help to identify whether we are making progress towards reducing the time required to complete inquiries.

Data Source: The Department is currently updating its computerized case management capabilities and will be able to identify the number of business days between the assignment of a formal investigative file and its subsequent conclusion/closing.

Factors Beyond Agency's Control That Affect Performance: The availability of complete and accurate information necessary to draw conclusions in an investigation.

Measure: The number of telephone calls abandon by callers as a percentage of the total number of calls place to the Division.

Definition: "Immediate access" is defined as accepting and responding to telephone calls when initially received by the Division. "Abandon calls" are calls which have been made to the Division but are subsequently abandon by the caller because of a delay in the Divisions ability to answer and provide the requested assistance/information.

Rationale: One of the most significant services provided to the Minnesota consumers by the Division is access to "expertise and support" for individuals in companies operating or transacting business within the regulated industries. The Division receives approximately 65,000 phone calls per year requesting assistance or information. This outcome measure will demonstrate the divisions progress towards achieving optimal levels of service to our constituents. Because time is frequently of critical importance with regard to transactions within the regulated industries, it is crucial that the Department be accessible to its constituents. This measure will enable the Division to evaluate its progress in achieving the objective of providing immediate access to constituents.

Data Source: Reports generated by the "Norstan" automated attendant telephone system. This system will allow us to identify the number of individuals attempting to reach either the licensing or investigation section of the Department of Commerce and the number of people who "hang-up" because they are either unwilling or unable to wait until an investigator and/or licensing technician is available to answer their calls.

Factors Beyond Agency's Control That Affect Performance: None

Measure: The number of inquiries/complaints resolved by the Consumer Response Team (without the initiation of a formal investigative procedure) as a percentage of the total number of inquiries/complaints received by the Division.

Definition: The Consumer Response Team "CRT" is a unit within the Investigation Section of the Division. The express purpose of this unit is to, whenever possible, respond immediately to telephone inquiries and/or complaints.

Rationale: The goal of the CRT is to resolve consumer and practitioner complaints immediately by dealing with individuals within the regulated industries who have been delegated authority to resolve and/or respond to issues identified by the Division. If issues cannot be resolved through immediate intervention by the Department, they are referred to the Investigation Section and a formal investigation and/or response is initiated.

This outcome measure will allow the Division to measure its ability to successfully respond to requests for service in the most efficient and effective manner.

Data Source: The Department is currently updating its computerized case management capabilities and will be able to identify the number of business days between the assignment of a formal investigative file and its subsequent conclusion/closing.

Factors Beyond Agency's Control That Affect Performance: None

Measure: The number of Minnesota residents attending presentations designed by the Division to increase the level of public and practitioner understanding of statutes and rules relating to the regulated industries.

Definition: "Presentations" include Department sponsored educational programs for licensees, speeches and workshops provided to various community and consumer organizations and formal presentations made to professional groups who interact with practitioners within the regulated industries.

Rationale: In order to insure and maintain consumer confidence in the regulated industries, both consumers and practitioners must have at least a minimal degree of understanding of the statutes, rules and procedures involved in regulated transactions. The Department has been and will be, both re-active and pro-active in seeking opportunities to provide such information to our constituents. By measuring the number of such programs and the number of individuals reached through such programs, the Department can, to some extent, evaluate its progress in helping to insure constituent understanding and confidence the regulated industries.

Data Source: Although the Department possesses the capability of documenting the number of public presentations and the number of persons receiving printed educational materials, these records have not been kept in the past.

Factors Beyond Agency's Control That Affect Performance: None

Measure: The number of Minnesota residents provided with printed educational materials developed by the Division to provide a better understanding of statutes, rules, practices and procedures within the regulated industries.

Definition: "Printed educational materials" include materials developed by the Department to assist in understanding the operations and products of the regulated industries. It also includes materials developed by other agencies and organizations, relating to the regulated industries, which is made available and distributed through the Department of Commerce.

Rationale: As noted under the preceding measurement, the Department hopes to achieve its objective of increasing the level of understanding and confidence in regulated industries by educating the consuming public and industry practitioners. By measuring the number of individuals who have been provided with such assistance (provided with educational materials) through the Department's efforts. The Department hopes to measure its progress towards increasing overall understanding and confidence in the regulated industries.

Data Source: Although the Department has not maintained such a record in the past it can establish a system to do so with little or no additional expenditures.

Factors Beyond Agency's Control That Affect Performance: None

Measure: Administrative action taken not appealed.

Definition: Whenever the department takes an administrative action against a licensee, that action has the right to an appeal hearing. Actions not agreed to are then scheduled for review by an administrative law judge.

Rationale: Another demonstration of the departments protection of the interests of the consumer of services provided by licensees.

Data Source: Complaint action data.

Factors Beyond the Agency's Control That Affect Performance: Willingness to consent to administrative actions by licensed entities.

3. To license qualified entities to do business in regulated industries to provide access to employment opportunities in a prompt and efficient manner.

Measure: The average number of days necessary to process a license application.

Definition: "Application for licensure" would include applications for licensure in any of the regulated industries. "Days necessary to process" would identify the period from the date an

application and appropriate fee was received by the Department to the date the Department mailed a certificate evidencing licensure to the applicant.

Rationale: The Department currently licenses approximately 17 different professions involving approximately 190,000 entities and individuals. Most of these licenses are renewed on an annual basis. Failure to provide prompt processing can have a significant adverse financial impact on the applicants/licensees.

This outcome measure will demonstrate whether the Division is making progress in its objective of reducing processing time to the minimum necessary to produce a license.

Data Source: Although the Department has not maintained such data in the past, it could be collected and maintained with little or no additional expenditures.

Factors Beyond Agency's Control That Affect Performance: None

Measures: The average number of days necessary to renew a license previously issued by the Department.

Definition: "Renewal of licensure" would include applications for renewal licensure in any of the regulated industries. "Days necessary to process" would identify the period from the date an application and appropriate fee was received by the Department to the date the Department mailed a certificate evidencing licensure to the applicant.

Rationale: The Department currently licenses approximately 17 different professions involving approximately 190,000 entities and individuals. Most of these licenses are renewed on an annual basis. Failure to provide prompt processing can have a significant adverse financial impact on the applicants/licensees.

This outcome measure will demonstrate whether the Division is making progress in its objective of reducing processing time to the minimum necessary to produce a license.

Data Source: Although the Department has not maintained such data in the past, it could be collected and maintained with little or no additional expenditures.

Factors Beyond Agency's Control That Affect Performance: None

Measure: The number of license applications processed without having to elicit additional information from applicants as a percentage of the total number of license applications processed by the Division.

Definition: The amount of time necessary for further contact with an applicant to receive all information necessary to issue a license.

Rationale: In order to expedite the processing of applications it is important that all necessary information be provided initially by the applicant. In order to accomplish this, the Department must insure that its instructions, forms etc., are understandable and can be successfully completed by individuals who do not possess significant industry experience.

This outcome measure will help to demonstrate whether the Department's internal processes and forms are contributing to the objective of expediting the licensing process.

Data Source: Although the Department does not currently track such information we anticipate being able to do so with little or no additional expenditures. (Licensing database)

Factors Beyond Agency's Control That Affect Performance: Response time of applicant.

4. To return abandoned and unclaimed property to rightful owners and/or heirs.

Measure: The number of holders which file reports with the division on an annual basis.

Definition: A holder is any person in possession of property that is subject to the jurisdiction of the Unclaimed Property Act. All holders are responsible to report property that has been abandoned to the Department.

Rationale: The program has to have reporting compliance to assure that every attempt can be made to return property to the rightful owner.

Data Source: Holder reports.

Factors Beyond Agency's Control That Affect Performance: Compliance is dependent upon cooperation of holders.

Measure: The amount of property returned to owners as a percentage of the total amount received by the division.

Definition: The amount of claims paid or property returned before it is remitted as a result of advertising efforts.

Rationale: The purpose of the Unclaimed Property Act is to return property. This measure identifies the success of the Departments efforts to do so.

Data Source: Claims payment reports and holder reports in comparison to remittance reports.

Factors Beyond Agency's Control That Affect Performance: Ability to locate owners and heirs.

Part 2: Program Information

Agency: Department of Commerce
Program: Administrative Management

Program Purpose: The administrative services program is integral to the department's overall objectives. The program assures that all department programs are administered and implemented in an efficient and cost effective manner. The program is also responsible for setting priorities for the overall department to assure over all management consistency. The program coordinates administrative support functions including development and implementation of fiscal policy, human resource services and management information systems support.

The day to day administrative support assures the departments statutory responsibilities are carried out in an efficient and effective manner. The basic activities of this program are carried out in the areas of; fiscal management, human resource management, administrative management, information systems and data processing, legal services and the commissioner's office.

The commissioner's office is responsible for defining and implementing the policy agenda for the department. All financial transactions of the department are approved and processed by the financial management and administrative management personnel. This area is also responsible for implementing spending priorities and monitoring the financial status of the department. This includes ongoing monitoring of expenditure levels and collection of fees and assessments. All internal and external accounting reports are generated from this area. Administrative functions include mail distribution, phone receptionist and maintenance and upkeep of department office equipment.

Screening of applicants of classified and unclassified positions, processing of personnel documents, training, job counseling, labor relations and affirmative action activities are performed as part of the personnel and procurement responsibilities. Management information systems and local area network administration is coordinated though this area to assure efficient and effective operation and security control of access to information. Legal services segregates funding for the Office of Administrative Hearings and the Office of the Attorney General.

Performance Objectives and Measures:

1. To effectively manage the department human resources to provide maximum service and efficiency.

Measure: Performance Appraisals completed on time.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	*	*	*	*	85	89	90

Measure: Training Hours per employee.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	*	*	*	*	65	65	80

Measure: Grievances filed, addressed and resolved.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	*	*	8	7	8	10	8

Measure: Time loss days.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Sick Leave	*	*	*	*	16	14	8
Vacation	*	*	*	*	21	21	21
Holidays	13	13	13	13	13	13	13

Measure: Turnover Rate.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	*	*	3	3	11	8	5

Measure: Cost of Department operations per employee.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>

2. To provide a workplace which acknowledges diversity and is harassment and barrier free.

Measure: Affirmative Action Goals met

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	40%	38%	22%	46%	60%	70%	100%

Measure: Affirmative action program objectives met.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	50%	25%	75%	60%	100%	100%	100%

Measure: Diversity in the workplace

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Female	*	*	*	34%	40%	47%	50%
Minority	*	*	*	6%	5%	6%	7%
Disabled	*	*	*	11%	12%	12%	15%

Measure: Affirmative action complaints

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	2	3	3	2	1	1	0

Measure: Compliance with ADA

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	N/A	No	No	Yes	Yes	Yes	Yes

3. To provide internal control to assure Statewide Accounting and Procurement provisions are applied.

Measure: Vendor payments made within 30 days.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	95	97	96	98	99	98	98

Measure: Amount of purchase orders issued under local purchase authority provisions.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual (\$ in Thousands)	*	*	*	*	130	150	200

Measure: Amount of dollars transferred between programs.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual (\$ in Thousands)	158	123	188	179	113	150	100

4. To provide continuous access to automated systems to improve efficiency of data operations.

Measure: LAN accessibility, % of time in operation.

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	*	*	*	*	96	97	97

Measure: LAN users

	Objectives						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>2000</u>
Actual	30	55	120	155	180		

Measure: Information accessed by outside of agency office personnel.

* The information necessary to identify numbers for this measure is previously unrecorded in totals format. The information is now being tracked on automated databases so that future information can be compared to performance objectives.

Part 3: Substantiating the Performance Measures

Agency: Department of Commerce
Program: Administrative Management

1. To effectively manage the department human resources to provide maximum service and efficiency.

Measure: Performance Appraisals completed on time.

Definition: Performance appraisals are to be done for each employee on the anniversary date of their appointment either to a position or classification. The performance appraisal is a tool for the employee and management to identify strengths and weakness' in employee performance, to identify area or ways of improving relationships and to assist an employee in their own personal career development.

Rationale: Collective bargaining agreements provide each employee the opportunity to have their performance reviewed once each year on the anniversary of their employment/appointment. The review is used as a method of determining the success of an employee at the task at hand. Reviews are used to measure strengths and weakness' and also can assess the effective utilization of human resources.

By using compliance with performance appraisal as a measure we can gauge the effectiveness of our staffing programs, examination techniques and skills assessment for human resources.

Data Source: Actual performance reviews completed.

Factors Beyond the Agency's Control That Affect Performance: None

Measure: Training Hours per employee.

Definition: The department spends a great deal of resources, both monetary and time, in training programs to allow employees to perform job functions with up to the minute resources. Training hours are the actual time each employee spends in training supported or paid for by the Department.

Rationale: Training is an excellent tool in assuring that employees performing public service have the knowledge and skill necessary to achieve the overall agency mission and goals. The training hours measure allows the agency a method of assessing levels of knowledge and skill to be sure information available to the customers is valid and current.

By having a measure of training hours we can determine if the information flow is sufficient to meet the needs of the customer, the agency regulated industries and Minnesota consumers.

Training is done both in technical and application areas and includes both actual practices of regulated industries and tools to assist in effectively achieving the agency mission.

Data Source: Agency training records.

Factors Beyond the Agency's Control That Affect Performance: Availability of affordable, related programs. Availability of funds.

Measure: Grievances filed, addressed and resolved.

Definition: Grievance procedures are identified in collective bargaining agreements of all agency employees. The grievance process allows employees who feel they have experienced violations of provisions of their bargaining agreement to air their concerns to supervisory and management personnel.

Rationale: The grievance process allows for on-going discussion of work environment between employees and supervisors. While the optimum measure would be to have a minimum number of grievances filed, having the process can assure that employees have a chance to air concerns about individual work environments (particular job assignments, classifications, process', etc.). By effectively managing the grievance process, we contribute to our ability to maximize human resource efficiency.

Data Source: Agency labor relations files.

Factors Beyond the Agency's Control That Affect Performance: Can be affected by collective bargaining agents activities.

Measure: Time loss days.

Definition: The amount of agency payroll hours used for sick leave, vacation and holidays.

Rationale: The amount of time for vacation and holiday used by agency employees is a right provided by collective bargaining agreements. However, that time away from the work environment does have an impact on the effectiveness of the agencies human resource program. The agency is required to accommodate the staffing needs and meet the needs of the customer and clientele.

Sick leave is also provided as a benefit under collective bargaining agreements. However, it is much more difficult to manage as it is not generally scheduled time. The measure provides a relationship to the ability to perform the required functions to achieve the mission and goals.

Data Source: Agency payroll records.

Factors Beyond the Agency's Control That Affect Performance: The use of this time is not always at the discretion or control of the agency. Employees are generally the control force behind the use of sick and vacation leave.

Measure: Turnover Rate.

Definition: The number of employees who leave the department service in comparison to the amount of employees as a whole.

Rationale: Turnover rate, when properly tracked and monitored, can be an indicator in the successful program of management of human resources. It can tell you by way of trends and patterns of potential problems that may exist within a particular work unit or force.

Data Source: Agency employment records.

Factors Beyond the Agency's Control That Affect Performance: Economic, marketplace. The agency can not always compete within the constraints of the salary structure with compensation programs available in private sector employment. There are circumstances when the ability to enhance offers in the private sector will lure away staff of the agency into that employment market.

2. To provide a workplace which acknowledges diversity and is harassment and barrier free.

Measure: Affirmative Action Goals met

Definition: Goals which are set by the agency for employment which reflect employment market availability and population based on 1990 Census data.

Rationale: State and Federal law requires employers to not discriminate based on various factors, for example, race, creed, ethnic background, sex, etc. This measure reflects the agencies attempts in management of human resources to comply with state and federal Equal Employment laws.

Data Source: Agency Affirmative Action reports.

Factors Beyond the Agency's Control That Affect Performance: Availability of candidates which possess the appropriate education, knowledge or skill to effectively perform when presented with an employment opportunity.

Measure: Affirmative action program objectives met.

Definition: Every year the agency identifies program objectives in the affirmative action plan to promote the employment attitude that reflects the goals of affirmative action in the workplace.

Objectives address training and awareness issues and promote the positive aspects of affirmative action.

Rationale: Awareness is a key to an effectively address workplace diversity concerns. By achieving program objectives, the agency is able to keep employees enlighten on the issues of diversity both with co-workers and with the customers.

Data Source: Agency affirmative action report.

Factors Beyond the Agency's Control That Affect Performance: None

Measure: Diversity in the workplace.

Definition: Actual work force data which reflects the number of employees in the agency representing the various protected groups.

Rationale: By having a diverse workplace you continue to address the issue. Having a representative work force will also assist in breaking down barriers that have been placed in the various industry's regulated for protected group members. As well, a diverse work force can assist in addressing the diversity issue in our customers, the citizens of the State.

Data Source: Agency work force statistics.

Factors Beyond the Agency's Control That Affect Performance: None

Measure: Affirmative action complaints

Definition: Complaints filed by employees as a result of a violation of the agencies affirmative action commitment.

Rationale: Complaints can be an effective tool in addressing work force concerns particularly in the area of harassment and diversity. It allows the agency management to fulfill its commitment to a positive work environment by assuring that any perceptions of harassment or discrimination are addressed.

Data Source: Agency affirmative action complaint files.

Factors Beyond the Agency's Control That Affect Performance: None

Measure: Compliance with ADA

Definition: The ADA is federal law which guarantees people with disabilities equal access to services and employment.

Rationale: Compliance with ADA addresses barriers placed on employment opportunities and employment for persons with or perceived to have disabilities. ADA also addresses public services. By having compliance we are able to assure that both employment and services are available to all on an equal basis.

Data Source: ADA compliance reports.

Factors Beyond the Agency's Control That Affect Performance: Financing available to provide reasonable accommodations.

3. To provide internal control to assure Statewide Accounting and Procurement provisions are applied.

Measure: Vendor payments made within 30 days.

Definition: State law requires that vendors of goods and services to the agency should be paid for those goods or services within 30 days of receipt or completion.

Rationale: Measurement of compliance with this law assures the agency that good business relationships will exist with the providers of goods and services that allow the agency to accomplish its overall mission.

Data Source: Department of Finance, vendor payment reports.

Factors Beyond the Agency's Control That Affect Performance: Contested invoices.

Measure: Amount of purchase orders issued under local purchase authority provisions.

Definition: The agency has limits under which it can deal directly with vendors in the purchase of goods and services necessary to maintain operations.

Rationale: This measure identifies compliance with controls on purchase and the LPA program. It demonstrates participation in and utilization of the program and whether the agency is effectively served by using this purchase method.

Data Source: Agency purchase order information.

Factors Beyond the Agency's Control That Affect Performance: None

Measure: Amount of dollars transferred between programs.

Definition: Funds within agency appropriation limits that are transferred between programs after appropriations have been made.

Rationale: This measure can demonstrate the effectiveness of the agency budget process and the ability to forecast changes in spending trends.

Data Source: Actual transfer information.

Factors Beyond the Agency's Control That Affect Performance: None

Measure: Cost of Department operations per employee.

Definition: Divides the annual cost of operations of the agency by the average number of employees in the agency for that time period.

Rationale: The measure demonstrates and efficiency and effective use of fiscal resources by the agency to address the needs of customers of services provided to meet the mission and goals of the agency.

Data Source: Agency budget and staffing information.

Factors Beyond the Agency's Control That Affect Performance: None

4. To provide continuous access to automated systems to improve efficiency of data operations.

Measure: LAN accessibility, % of time in operation.

Definition: Identifies the amount of time within the normal hours of operation that LAN systems are available to users to complete their work assignments.

Rationale: The agency relies on the LAN to accomplish the tasks related to successful completion of the mission and goals. Therefore, continuous service and operation are essential to all areas of the department.

Data Source: Service and operation records for the LAN and systems.

Factors Beyond the Agency's Control That Affect Performance: Hardware performance and operation.

Measure: LAN users

Definition: The number of users, internal and external, accessing database information on LAN systems.

Rationale: Provides information on the number of people using systems and databases to perform their normal job functions with the peak of efficiency and effectiveness.

Data Source: LAN user records.

Factors Beyond the Agency's Control That Affect Performance: None

Measure: Information accessed by staff and entities outside of agency office personnel.

Definition: The number of users authorized to access information directly from automated databases within the Department.

Rationale: By having on line information networks accessible to outside sources, primarily field staff, we effectively transmit data in a timely manner to assist in performance of functions that need to be addressed timely rather than waiting on mail and request turn around times.

Data Source: LAN information and user records.

Factors Beyond the Agency's Control That Affect Performance: None.

Part 4: Improving Programs and the Reporting Process

Agency: **Department of Commerce**

Process Used: The process used was first to attempt to convene the labor management groups to work on this process. However, the collective bargaining agents were not able to identify their participants within the time frame necessary to complete the process given the deadlines established.

As a result, management of the agency made an attempt to best identify goals, objectives and measures to demonstrate the effective performance of the agency. In some instances, opinions were solicited from employees with knowledge and experience with the program objectives.

The measurements identified are in a continuing state of development. Systems are not currently in place to identify all the data necessary to report numerical information for each measure. We are in the process of identifying ways to determine the measure. The numerical data will be evaluated and submitted at a later date. As we define data gathering techniques we may wish to redefine measures.

Because we did not have all the necessary tracking tools, we are not in a position at this time to identify how much the measures should or will improve. **For this report, it is the Department's intention to submit the information for review and refinement.** In the development of the data we will be better suited to identify the appropriate improvement measurements.

Ways to Improve Program Outcomes: The outcomes will, by way of review and refinement, improve themselves over time. This was a relatively short amount of time to completely come up with a set of outcomes and measurements to live by. The Department is undergoing a significant re-engineering of automated data and systems project that will surely test and further define the appropriate outcomes to be used in future reporting.

As automated systems replace manual processes, we will have the necessary data collection devices to accurately test the measurements and identify the outcomes.