



950088

1996-97

Minnesota Biennial Budget

State Government

**Be sure to check
CHANGE ORDER #1 1996-97
BIENNIAL BUDGET
for updates.**

Presented by Governor Arne H. Carlson to the 79th Legislature

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1996-97 BIENNIAL BUDGET

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AGENCY: Legislature

AGENCY DESCRIPTION:

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 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 (LRL):

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 (LCESW):

Established in 1976, the LCESW studies 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 with promoting tourism and economic development opportunities in the River corridor. The commission coordinates highway and amenity improvements in communities along the Mississippi River. The commission also directs state, national, and international marketing efforts with communities, regional organizations and state agencies. The commission's appropriation is from the state Trunk Highway Fund. The commission also works 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 (ALJ) to correct the defects in a proposed rule which the ALJ found to be not needed or unreasonable.

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; the conducting of research and preparation of studies as directed; and the performance of other related functions as 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 waterways between them.

LEGISLATIVE COMMISSION ON WASTE MANAGEMENT (LCWM):

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 medication, 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 (LCC) - GENERAL SUPPORT:

The commission coordinates certain activities of the Senate and House of Representatives and serves 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 budget requests and establishes the complement for all commissions and joint agencies under its jurisdiction. The LCC also sets the compensation for all employees under its jurisdiction. The president of the Senate and the speaker of the House alternate annually as chairpersons. The

AGENCY: Legislature
(Continuation)

commission provides staff support for the Compensation Council, the Regent Candidate Advisory Council and the Higher Education Board Candidate Advisory Council. The LCC's Geographic Information Systems office (formerly Redistricting) provides computer mapping and geographic analysis for the legislature.

LEGISLATIVE COMMISSION ON MINNESOTA RESOURCES (LCMR):

The LCMR budget is located in the LCMR section of the budget document.

LEGISLATIVE OVERSIGHT COMMISSION ON HEALTH CARE ACCESS:

The commission reviews the activities of the Commissioner of Health, the state Health Care Commission and all other agencies involved in the implementation and administration of Chapter 62J, the Minnesota Health Care Cost Containment Act. It consists of 5 members of the House of Representatives appointed by the speaker and 5 members of the Senate appointed by the subcommittee on committees.

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 to require study and review of particular items and 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 audit 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 the separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Legislature to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE

PROGRAM RESOURCE ALLOCATION:	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
HOUSE OF REPRESENTATIVES	20,048	19,622	25,984	22,104	22,104	22,104	22,104	22,104	22,104
SENATE	15,502	14,565	17,523	15,954	15,954	15,954	15,954	15,954	15,954
LEGISLATIVE COORD CMSN	7,223	6,502	8,746	7,329	7,329	7,329	7,329	7,329	7,329
LEGISLATIVE AUDIT COMM	3,629	3,859	4,324	4,168	4,168	4,168	4,168	4,168	4,168
TOTAL EXPENDITURES BY PROGRAM	46,402	44,548	56,577	49,555	49,555	49,555	49,555	49,555	49,555
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	46,125	44,158	55,941	48,950	48,950	48,950	48,950	48,950	48,950
HEALTH CARE ACCESS	63	90	175	175	175	175	175	175	175
STATE AIRPORTS	10	2	15						
TRUNK HIGHWAY	32	32	32	32	32	32	32	32	32
GIFTS AND DEPOSITS		5							
STATUTORY APPROPRIATIONS:									
GENERAL			112	112	112	112	112	112	112
SPECIAL REVENUE	11								
FEDERAL	3	5							
AGENCY	158	256	302	286	286	286	286	286	286
TOTAL FINANCING	46,402	44,548	56,577	49,555	49,555	49,555	49,555	49,555	49,555
FTE BY EMPLOYMENT TYPE:									
REGULAR	60.6	63.9	63.9		63.9		63.9		
TEMP/SEAS/PART_TIME	2.3	2.5	2.5		2.5		2.5		
TOTAL FTE	62.9	66.4	66.4		66.4		66.4		

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.96	F.Y.97	F.Y.96	F.Y.97	F.Y.96	F.Y.97	F.Y.96	F.Y.97
F.Y.95 FUNDING LEVEL	56,577	56,577	56,053	56,053	524	524		
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<415>	<415>	<415>	<415>				
BIENNIAL APPROPRIATIONS	<211>	<211>	<211>	<211>				
APPROPRIATIONS CARRIED FWD	<6,365>	<6,365>	<6,349>	<6,349>	<16>	<16>		
BASE TRANSFER (BTWN AGENCIES)	<16>	<16>	<1>	<1>	<15>	<15>		
SPECIAL LEGIS. ADJUSTMENTS	<15>	<15>	<15>	<15>				
SUBTOTAL BASE ADJ.	<7,022>	<7,022>	<6,991>	<6,991>	<31>	<31>		
CURRENT SPENDING	49,555	49,555	49,062	49,062	493	493		

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: HOUSE OF REPRESENTATIVES

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
HOUSE OF REPRESENTATIVES	20,048	19,622	25,984	22,104	22,104	22,104	22,104	22,104	22,104
TOTAL EXPENDITURES BY ACTIVITY	20,048	19,622	25,984	22,104	22,104	22,104	22,104	22,104	22,104
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	19,971	19,521	25,796	21,926	21,926	21,926	21,926	21,926	21,926
STATUTORY APPROPRIATIONS:									
GENERAL			52	52	52	52	52	52	52
AGENCY	77	101	136	126	126	126	126	126	126
TOTAL FINANCING	20,048	19,622	25,984	22,104	22,104	22,104	22,104	22,104	22,104
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: SENATE

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SENATE	15,502	14,565	17,523	15,954	15,954	15,954	15,954	15,954	15,954
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	15,502	14,565	17,523	15,954	15,954	15,954	15,954	15,954	15,954
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	15,457	14,476	17,388	15,822	15,822	15,822	15,822	15,822	15,822
STATUTORY APPROPRIATIONS:									
GENERAL			60	60	60	60	60	60	60
AGENCY	45	89	75	72	72	72	72	72	72
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	15,502	14,565	17,523	15,954	15,954	15,954	15,954	15,954	15,954
FTE BY EMPLOYMENT TYPE:									

TOTAL FTE									

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: LEGISLATIVE AUDIT COMM

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
LEGIS AUDIT COMM	3	16	14	15	15	15	15	15	15
LEGISLATIVE AUDITOR	3,626	3,843	4,310	4,153	4,153	4,153	4,153	4,153	4,153
TOTAL EXPENDITURES BY ACTIVITY	3,629	3,859	4,324	4,168	4,168	4,168	4,168	4,168	4,168
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,618	3,859	4,324	4,168	4,168	4,168	4,168	4,168	4,168
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	11								
TOTAL FINANCING	3,629	3,859	4,324	4,168	4,168	4,168	4,168	4,168	4,168
FTE BY EMPLOYMENT TYPE:									
REGULAR	60.6	63.9	63.9		63.9			63.9	
TEMP/SEAS/PART_TIME	2.3	2.5	2.5		2.5			2.5	
TOTAL FTE	62.9	66.4	66.4		66.4			66.4	

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: LEGISLATIVE COORD CMSN

ACTIVITY RESOURCE ALLOCATION:	Est.			FY 1996			FY 1997		
	FY 1993	FY 1994	FY 1995	Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
LEG REFERENCE LIBRARY	914	870	872	856	856	856	856	856	856
REVISOR OF STATUTES	4,307	3,564	4,763	4,168	4,168	4,168	4,168	4,168	4,168
LEG COORD CMSN CONTNGNT	30	32	93	93	93	93	93	93	93
CMSN ECON STATUS WOMEN	183	182	177	176	176	176	176	176	176
LEG CMSN ON PENSION/RETIRE	511	499	516	505	505	505	505	505	505
MISS RIVER PARKWAY CMSN	32	32	32	32	32	32	32	32	32
LEG CMSN REVIEW ADM RULES	121	140	137	134	134	134	134	134	134
CMSN EMPLOYEE RELATIONS	89	93	122	105	105	105	105	105	105
GREAT LAKES CMSN	39	43	39	40	40	40	40	40	40
LEG CMSN WASTE MGMT	138	139	212	176	176	176	176	176	176
LCC GENERAL SUPPORT	712	764	1,448	892	892	892	892	892	892
LEG CMSN FISCAL POLICY	75	53	231	55	55	55	55	55	55
LEG CMSN ON WATER	72	91	104	97	97	97	97	97	97
TOTAL EXPENDITURES BY ACTIVITY	7,223	6,502	8,746	7,329	7,329	7,329	7,329	7,329	7,329
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	7,079	6,302	8,433	7,034	7,034	7,034	7,034	7,034	7,034
HEALTH CARE ACCESS	63	90	175	175	175	175	175	175	175
STATE AIRPORTS	10	2	15						
TRUNK HIGHWAY	32	32	32	32	32	32	32	32	32
GIFTS AND DEPOSITS		5							
STATUTORY APPROPRIATIONS:									
FEDERAL	3	5							
AGENCY	36	66	91	88	88	88	88	88	88
TOTAL FINANCING	7,223	6,502	8,746	7,329	7,329	7,329	7,329	7,329	7,329
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

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1996-97 Biennial Budget

BUDGET ENTITY: Legislative Rent

BUDGET ENTITY DESCRIPTION:

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 current level of spending.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATIVE RENT
PROGRAM: LEGISLATIVE RENT
ACTIVITY: LEGISLATIVE RENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomn.	Current Spending	Agency Request	Governor Recomn.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	3,748	4,485	4,484	4,850	4,850	4,850	4,882	4,882	4,882
SUBTOTAL STATE OPERATIONS	3,748	4,485	4,484	4,850	4,850	4,850	4,882	4,882	4,882
TOTAL EXPENDITURES	3,748	4,485	4,484	4,850	4,850	4,850	4,882	4,882	4,882
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,748	4,485	4,484	4,850	4,850	4,850	4,882	4,882	4,882
TOTAL FINANCING	3,748	4,485	4,484	4,850	4,850	4,850	4,882	4,882	4,882
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

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. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	4,484	4,484	4,484	4,484				
BASE ADJUSTMENTS								
DOCUMENTED RENT/LEASE INC/DEC	366	398	366	398				
SUBTOTAL BASE ADJ.	366	398	366	398				
CURRENT SPENDING	4,850	4,882	4,850	4,882				

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Governor's Office

Fund: General

Summary of Agency Actions:

Brief Explanation of Agency Plan:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$3,757	\$3,757	\$7,514
<u>BASE ADJUSTMENT:</u>			
Appropriation Carried Fwd	(276)	(276)	(552)
Documented Rent/Lease Inc	<u>26</u>	<u>23</u>	<u>49</u>
<u>CURRENT SPENDING</u>	\$3,507	\$3,504	\$7,011
<u>AGENCY DECISION ITEMS:</u>			
None.			
<u>AGENCY PLAN</u>	\$3,507	\$3,504	\$7,011
<u>GOVERNOR'S INITIATIVES:</u>			
None.			
GOVERNOR'S RECOMMENDATIONS	\$3,507	\$3,504	\$7,011

The Governor's Office plans to stay within the current level of funding for F.Y. 1996 and F.Y. 1997.

Revenue Summary:

M.S. 16A.723 allows the appropriation of reimbursements for any event conducted at the Governor's Residence. The Governor's Office anticipates \$37,000 in F.Y. 1996 and \$37,000 in F.Y. 1997 as reimbursement for User Fund events.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the current level of spending.

1996-97 Biennial Budget

AGENCY: Governor's Office

AGENCY DESCRIPTION: 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 organized to provide the necessary assistance to enable the Governor to effectively administer his duties as Chief Executive. Major duties of the Government are to:

- oversee and provide leadership for the day to day operation 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:

- coordinate the state's tourism programs;
- initiate and coordinate program 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 gubernatorial assignments.

AGENCY CHALLENGES: Factors shaping the development of policies and priorities for the Governor's Office.

- the need to encourage economic development and lower the cost of doing business in the state through reform of the workers' compensation insurance system;
- the need to restructure the current welfare system to encourage individual self-reliance and strengthen programs that support families;
- the need to refocus secondary and post-secondary education to develop for Minnesota's young people the technical skills that will ensure employability in the 21st Century;
- the need to develop a state budget that constrains the price of government and contains no general tax increases;
- the need to improve the delivery of services to children by restructuring and reforming current systems; and
- the need to communicate the Governor's initiatives to the general public, to respond to questions and comments from Minnesota citizens, and to work with legislators and state agency heads to achieve the above goals.

AGENCY STRATEGIES: The Governor's Office budget plan is constructed so that the Governor may:

- lead the effort to reform the state's workers' compensation system in order to ensure continued economic growth and increase Minnesota's competitiveness relative to neighboring states;
- develop plans and programs that will reform the welfare system, decrease individual reliance on government aid, increase marketable skills and target social investment that strengthens the family unit;
- work with educators, legislators and state agency heads to develop programs that better prepare Minnesota's young people for the technical jobs of the future by establishing apprenticeship programs and improving the state's technical and community college systems;
- assure the careful review of all spending systems, eliminate wasteful, overlapping and duplicate programs, limit the growth of government spending and protect the Minnesota taxpayer from a general rate increase;
- improve delivery of education and other services to children; and
- inform citizens of the status of Governor's initiatives, other pending legislation, the state's economic health and comment on other matters of interest to the general public through the media, through correspondence and on the telephone.

REVENUE SUMMARY: The Governor's Office anticipates \$37,000 in F.Y. 1996 and \$37,000 in F.Y. 1997 as reimbursement for events conducted at the Governor's Residence.

SUMMARY OF BUDGET REQUEST:

- The plan includes \$19,000 in F.Y. 1996 and \$19,000 in F.Y. 1997 for necessary expenses in the normal performance of the Governor's or Lieutenant Governor's duties for which no other reimbursement is provided. The plan reallocates existing dollars of \$4,000 for the biennium to restore funding for this purpose.
- The Governor's Office plans to stay within the current level of funding for F.Y. 1996 and F.Y. 1997.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the current level of spending.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: GOVERNOR'S OFFICE
PROGRAM: GOVERNOR'S OFFICE
ACTIVITY: GOVERNOR'S OFFICE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,261	2,309	2,727	2,510	2,510	2,510	2,510	2,510	2,510
EXPENSES/CONTRACTUAL SRVCS	347	362	384	406	406	406	403	403	403
MISC OPERATING EXPENSES	379	409	447	447	447	447	447	447	447
SUPPLIES/MATERIALS/PARTS	212	152	163	150	150	150	150	150	150
CAPITAL EQUIPMENT	225	9	77	31	31	31	31	31	31
OTHER	8								
SUBTOTAL STATE OPERATIONS	3,432	3,241	3,798	3,544	3,544	3,544	3,541	3,541	3,541
LOCAL ASSISTANCE		14							
TOTAL EXPENDITURES	3,432	3,255	3,798	3,544	3,544	3,544	3,541	3,541	3,541
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,392	3,199	3,757	3,507	3,507	3,507	3,504	3,504	3,504
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	38	33	37	37	37	37	37	37	37
AGENCY		14							
GIFTS AND DEPOSITS	2	9	4						
TOTAL FINANCING	3,432	3,255	3,798	3,544	3,544	3,544	3,541	3,541	3,541
FTE BY EMPLOYMENT TYPE:									
REGULAR	50.0	51.3	53.3		53.3		53.3		
TEMP/SEAS/PART_TIME	1.0	.9	.9		.9		.9		
OVERTIME	.1	.1	.2		.2		.2		
TOTAL FTE	51.1	52.3	54.4		54.4	54.4	54.4		54.4

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. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	3,798	3,798	3,757	3,757	41	41		
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<276>	<276>	<276>	<276>				
NON-RECURRING EXPENDITURES	<4>	<4>			<4>	<4>		
DOCUMENTED RENT/LEASE INC/DEC	26	23	26	23				
SUBTOTAL BASE ADJ.	<254>	<257>	<250>	<253>	<4>	<4>		
CURRENT SPENDING	3,544	3,541	3,507	3,504	37	37		

1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: SECRETARY OF STATE

PROGRAM

PAGE

SECRETARY OF STATE, OFFICE OF

F-17

Administration

F-30

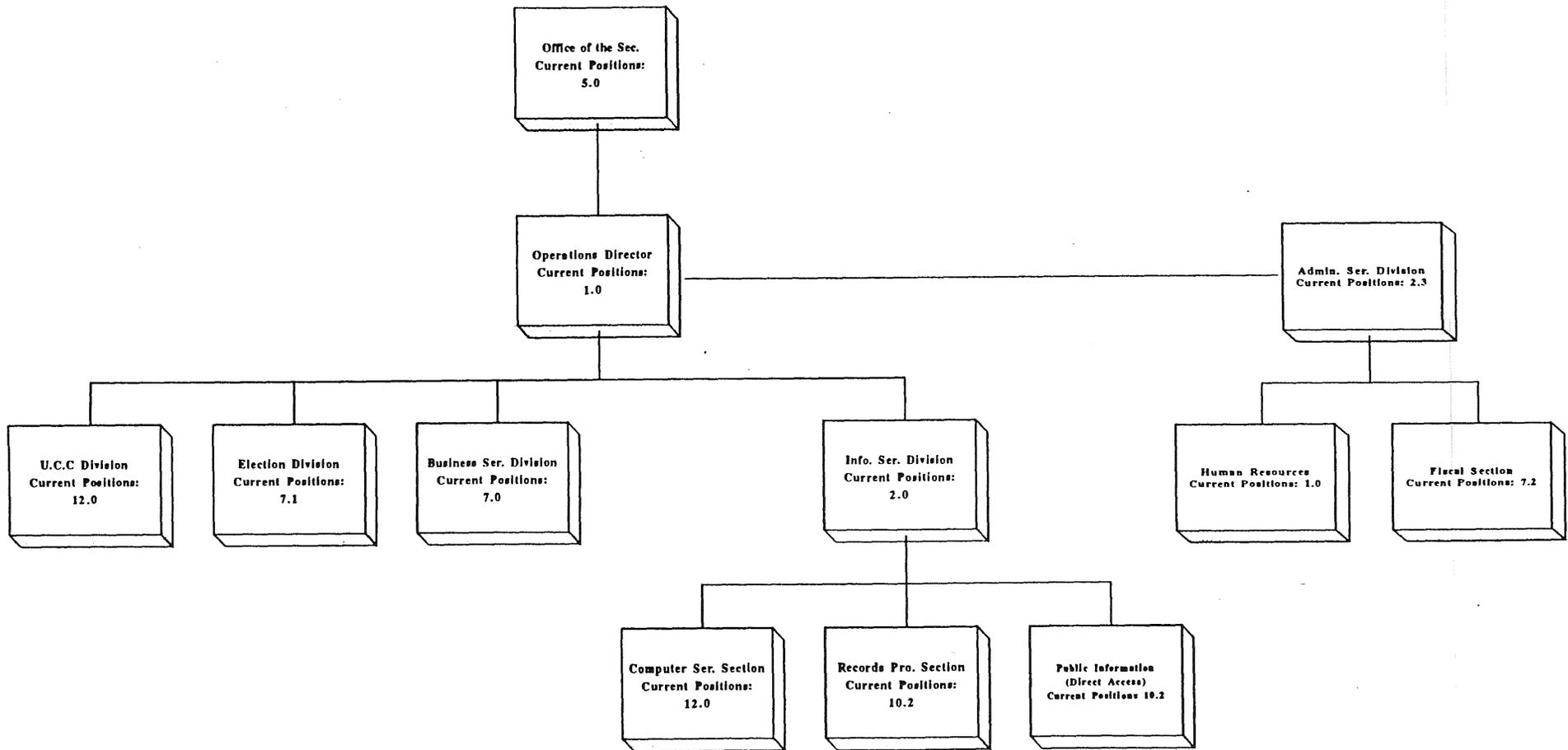
Operations

F-33

Election Administration

F-41

OFFICE OF THE SECRETARY OF STATE CURRENT POSITION ALIGNMENT



JUNE 30, 1994 FTE EMPLOYEES: 61

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**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Secretary of State

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
BASE YEAR (F.Y. 1995)	\$5,799	\$5,799	\$11,598
<u>BASE ADJUSTMENT:</u>			
Biennial Appropriations	3,025	1	3,026
Appropriations Carried Fwd	(562)	(562)	(1,124)
Documented Rent/Lease Inc.	<u>-0-</u>	<u>2</u>	<u>2</u>
<u>CURRENT SPENDING</u>	\$8,262	\$5,240	\$13,502
<u>AGENCY REQUEST ITEMS:</u>			
Election Judge Training	18	-0-	18
Presidential Primary	94	-0-	94
Optical Imaging Equipment	1,214	135	1,349
Postage Increase	9	10	19
Equip for 87 County Computer Network	1,318	188	1,506
Unfunded Salary Supplement & Inflation	<u>355</u>	<u>161</u>	<u>316</u>
<u>AGENCY REQUEST</u>	\$11,070	\$5,734	\$16,804
GOVERNOR'S RECOMMENDATIONS	\$8,262	\$5,240	\$13,502

Brief Explanation of Agency Request:

The plan calls for a biennial appropriation base adjustment of \$3,118,000 in F.Y. 1996 for conducting the Presidential Primary Election, this appropriation appears every 4 years.

In addition to the above, there is a \$93,000 F.Y. 1996 base adjustment for printing of the "Minnesota Legislative Manual". Funding is only required for F.Y. 1997.

The agency initiatives include requests to cover the cost of the unfunded salary supplement, inflation factor (\$316,000) and postage increase (\$19,000) for F.Y. 1996 and F.Y. 1997.

The plan includes an increase for additional costs (\$94,000) for Presidential Primary Election Judge Compensation and the need for additional funding (\$18,000) to do Election Judge Training for all elections in the biennium.

The plan requests replacement equipment for the 87 county statewide computer network in the amount of \$1,506,000, as recommended by a study funded by the legislature in the last biennium.

The plan includes a request of \$1,349,000 to address the accessibility, retrieval and storage of documents filed in the Office of the Secretary of State.

Revenue Summary:

None.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Secretary of State to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any General Fund requests in excess of current spending levels from unallocated balances in the General Fund.

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AGENCY: Secretary of State

AGENCY DESCRIPTION:

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 1 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
 - Human Resources

B. Operations:

- Uniform Commercial Code
- Business Services
- Information Services
 - Computer Services
 - Public Information (Direct Access)
 - Records Processing

C. Elections:

- Open Appointments
- Public Information
- Official Documents

AGENCY CHALLENGES:

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.

In addition, to the above, the following factors are shaping the development of the budget and programs of the Office of the Secretary of State.

Technological changes: The 7 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 costs 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.

There is an 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. The state has in the past assumed the cost to maintain the statewide network. The office can upgrade its computer environment in stages with the replacement of the equipment in the counties as a logical first step.

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 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.

AGENCY: Secretary of State
(Continuation)

AGENCY STRATEGIES:

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 CEO's, the general public, and other state and federal governmental units.

The office has completed and annually updates a strategic planning process which involves all staff, customer surveys and a number of customer focus groups. The office has successfully refined and clarified its mission and purpose, employee roles and responsibilities for implementing the mission and the development of implementation strategies to achieve both the organizational vision and the legislatively mandated responsibilities of the office.

The primary goals of the office for the 1994-95 biennium were:

TO MAINTAIN IMPROVED 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.

The work processes of each section were examined on an ongoing basis through section work flow analysis. Redundant tasks have been eliminated, simplified and restructured; and work loads have been redistributed to accommodate both the temporary and permanent reduction in staff without compromising the quality of service delivered to the customers of the office and within the office budget allocation.

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.

REVENUE SUMMARY:

In the budget, Departmental Earnings fees contribute over \$14 million per biennium to the General Fund.

The Departmental Earnings fees include the following:

1. Business Services Fees: Includes statutorily set filing fees to file documents for domestic, foreign and nonprofit corporations; cooperatives; partnerships; trademarks/names; assumed names; limited liability companies and all related documents.
2. Computer Information Fees - Voter Registration: The fees are for the production of lists of registered voters.
3. Election - Nominating Fees: Filing fees for individuals who run for public office.
4. Records Processing Fees: Annual/biennial report/registration fees and reinstatements, nonprofit amendments, legal newspaper registrations and renewals of assumed names.
5. Surcharge Fees: Surcharge fee on UCC filings and farm liens.
6. Uniform Commercial Code Fees: Filing fees for UCC documents, farm liens, state and federal tax liens, certified copies, good standing and notary certificates.

Revenues generated by the Office of the Secretary of State for F.Y. 1994-95 will exceed the dollars appropriated to our agency by an estimated \$1,823,000.

The agency does not propose any fee changes for the next biennium.

SUMMARY OF BUDGET REQUEST:

1. The unfunded salary supplement and the inflation rate of 3%, totaling an estimated \$316,000 for the 1996-97 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. 1994-95 will exceed the appropriation by an estimated \$1,823,000.
2. The need to replace equipment on the 87 county computer network. Recommendations from a study done by an outside consultant and funded by the legislature last biennium are that the

AGENCY: Secretary of State
(Continuation)

county equipment which makes up the statewide county computer network be replaced as a good first step toward updating the entire Secretary of State computer system. The replacement of the county equipment can be implemented into the current networking environment in place in the office, and is a necessary first step towards the migration into a recommended office-wide client/server, open systems environment.

The recommendation was based on these major findings:

(a) Changes in telecommunications and other technology will render the aging equipment in the 87 county statewide network obsolete if the Office of the Secretary does not take the proper steps to keep pace with new levels of technological sophistication and change that is occurring in the marketplace.

(b) With a decrease in the number of SNA network users the cost to use the current network will increase for those remaining on the network. While InterTech service does not provide the SNA network used to link communication between the Secretary of State and the 87 county auditor and recorder offices for profit, as other agencies move their users to other communication means such as MNet, the operational costs for the SNA will be spread among fewer organizations and the cost will be significantly higher. The office currently spends \$428,000 a biennium for telecommunications line charges and device connect charges.

(c) The existing county equipment, like all other equipment, has an expected life cycle. When installed, this life cycle was planned to be 5 years. The equipment has been in use for 7 years and the age of the equipment has a significant bearing on the current expenditures for maintenance on these printers and terminals. During the last 2 years, the office has spent \$42,400 on maintenance contracts for the county equipment.

The cost of replacing the county equipment is \$1,318,000 in F.Y. 1996 and \$188,000 in F.Y. 1997.

3. **The need for funding the inflationary costs of Election Judge Compensation in relationship to the presidential primary.** The Office of the Secretary of State is requesting additional dollars for the increase over current level funding for the presidential primary which was established in the 1992-93 biennium. A 3% increase, in the amount of \$94,000, is to cover the expected increase in reimbursement requests from counties and municipalities for compensation to election judges.

The cost of compensation to the election judges represents the majority of the state financial commitment to support of the presidential primary election. The election judges are vital personnel without whose services the election cannot be administered. The salaries of the election judges are established by the governing body of each municipality and, especially in the metropolitan area, are subject to the prevailing labor market and not easily subject to state control. As a result, it is imperative that the inflation in wage rates since the 1992-93 biennium be reflected in the appropriation for the 1996-97 biennium. These reimbursements are required under Minnesota Statutes 207A.03, subd. 3; 207A.07 and 207A.10.

4. **The unfunded postal increase.** The Office of the Secretary of State is requesting \$19,000 to cover the 3 cent per first class stamp postal increase. Since the United States Post Office has

recently passed an increase in postage and our office handles 80% of our business by mail, we will need additional funding to handle our mailing costs.

Over the last 2 years, the office has restructured the way documents are returned to customers which reduced the cost of mailings, and helped to deal with previous budget cuts. But the significant amount of mail generated, by this office, prohibits the ability to absorb an additional increase in costs without a corresponding budget increase to cover the costs.

5. **The need for additional resources to do Election Judge Training.** The basis for this \$18,000 request is two-fold: first, to produce additional material for the training video used to train election judges prior to the state elections and second, to conduct election conferences via satellite. To achieve this objective the office plans to continue making extensive use of video teleconferencing technology and other video materials to provide improved and more comprehensive information on election laws and procedures to local election officials. Based on past experiences, the Secretary of State has concluded that video teleconferencing is the preferred and most effective medium of communication for this program.

The Secretary of State is required by M.S. 204B.25 and 204B.27 to provide election information and training materials for election judges and officials. The outcome of this program will be better informed election officials and more effective training materials for election judges serving at state elections.

6. **The need to address the accessibility, retrieval and storage of documents filed in the Office of the Secretary of State.** The Office needs to convert its current manual microfilm and microfiche retrieval of stored documents to an optical imaging system at a cost of \$1,214,000 in F.Y. 1996 and \$135,000 in F.Y. 1997. The ongoing responsibility of providing photocopies and certified copies of both Uniform Commercial Code and Business Service documents is a growing concern. Nearly 300,000 copies of documents are generated each year from customer requests. The demand for information from our customers is increasing and the customer's need to have the information immediately available is becoming more difficult to achieve

The UCC and Business Services divisions currently have 2,227 rolls of microfilm increasing at a rate of 74.5 new rolls of film each year. The microfilm is stored in carrousel and the office will use all of the space available by the end of F.Y. 1995. There is no space to put in additional carrousel. In addition, approximately 250,000 microfiche are stored, increasing at a rate of 30,000 new fiche each year. The microfiche are stored in a lektiever which is projected to be full by the end of the fiscal year also.

Accessibility, retrieval and storage of these records has been difficult for a number of years, however the growing number of requests, the lack of storage space, and the customers need to have this information immediately available has exacerbated the problem. If any of these fiche or film have to be moved off site, we cannot provide expedited service to our customers and the state would lose revenue from the expedited fees in the amount of approximately \$290,000 per biennium.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Secretary of State to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any General Fund requests in excess of current spending levels from unallocated balances in the General Fund.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE

ACTIVITY RESOURCE ALLOCATION:	Est.			FY 1996			FY 1997		
	FY 1993	FY 1994	FY 1995	Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
ADMINISTRATION	709	706	893	801	825	801	802	827	802
OPERATIONS	4,201	3,875	4,872	4,290	6,945	4,290	4,297	4,748	4,297
ELECTION ADMINISTRATION	2,174	522	581	3,550	3,679	3,550	525	543	525
TOTAL EXPENDITURES BY ACTIVITY	7,084	5,103	6,346	8,641	11,449	8,641	5,624	6,118	5,624
AGENCY REQUEST ITEMS:			FUND						
ELECTION JUDGE TRAINING			GEN	18					
PRESIDENTIAL PRIMARY			GEN	94					
OPTICAL IMAGING EQUIPMENT			GEN	1,214			135		
POSTAGE INCREASE			GEN	9			10		
EQUIP FOR 87 COUNTY COMPUTER NETWORK			GEN	1,318			188		
UNFUNDED SALARY SUPPLEMENT & INFLATION FACTOR			GEN	155			161		
TOTAL AGENCY REQUEST ITEMS				2,808			494		
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	6,826	4,785	5,799	8,262	11,070	8,262	5,240	5,734	5,240
STATUTORY APPROPRIATIONS:									
GENERAL		5	5	5	5	5	5	5	5
SPECIAL REVENUE	257	312	538	370	370	370	375	375	375
AGENCY	1	1	4	4	4	4	4	4	4
TOTAL FINANCING	7,084	5,103	6,346	8,641	11,449	8,641	5,624	6,118	5,624
FTE BY EMPLOYMENT TYPE:									
REGULAR	54.2	58.9	75.6	75.6			75.6		
TEMP/SEAS/PART_TIME	6.6	1.2	1.1	1.1			1.1		
OVERTIME	.2	.3	.3	.3			.3		
TOTAL FTE	61.0	60.4	77.0	77.0			77.0		

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. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	6,346	6,346	5,804	5,804	542	542		
BASE ADJUSTMENTS								
BIENNIAL APPROPRIATIONS	3,025	1	3,025	1				
APPROPRIATIONS CARRIED FWD	<735>	<735>	<562>	<562>	<173>	<173>		
DED STAT APPROP SPENDING	5	10			5	10		
DOCUMENTED RENT/LEASE INC/DEC		2		2				
SUBTOTAL BASE ADJ.	2,295	<722>	2,463	<559>	<168>	<163>		
CURRENT SPENDING	8,641	5,624	8,267	5,245	374	379		

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Secretary of State
PROGRAM: Secretary of State
ACTIVITY: Program Wide

ITEM TITLE: Postage Increase

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$9	\$10	\$10	\$19
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATION:				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statute(s) affected: M.S.

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Secretary of State to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

RATIONALE:

The United States Post Office has recently passed an increase in postage of 3 cents per first class stamp. The office of the Secretary of State currently spends \$91,000 on postage annually. Over 315,000 pieces of mail are sent out to our customers annually. The 3 cent increase would amount to \$19,000 for the biennium.

All original business documents and copies of Uniform Commercial Code (UCC) and Business Services filings are returned to our customers after they are microfilmed.

PROGRAM OUTCOMES:

The office has restructured the way documents are returned to customers which reduced the cost of mailings in the last 2 years. The significant cost of this part of the offices operation prohibits the ability to absorb an additional increase in costs without corresponding budget increase to cover the

costs. The customers who file with the state are anxious to have their originals and acknowledgment documents returned to them. If we do not have sufficient funds to cover the costs of these mailings customers will have to come into the office to pick them up. We currently do 80% of our business

by mail. We do not have sufficient staff to handle the in person counter traffic such a change would entail.

LONG-TERM IMPACT:

We will be unable to return original business documents and filling certificates to Secretary of State customers.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Secretary of State
 PROGRAM: Secretary of State
 ACTIVITY: Program Wide

ITEM TITLE: Unfunded Salary Supplement and Inflation Rate

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$155	\$161	\$165	\$170
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Secretary of State to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

RATIONALE:

The unfunded salary supplement and the inflation rate totaling an estimated \$316,000 for the 1996-97 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.

PROGRAM OUTCOMES:

This funding 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 for the General Fund. Revenues generated by the Office of the Secretary of State generally will exceed our

appropriation. This biennium, 1994-95, we are estimating an excess of \$1,823,000 will go to the General Fund.

LONG-TERM IMPACT:

Less revenue deposited into the General Fund.

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1996-97 Biennial Budget

BUDGET ACTIVITY: Administration
PROGRAM: Secretary of State
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, staff is adequately trained, 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 office of Human Resources.

FISCAL SERVICES is responsible for receipting and tracking all incoming revenue, handling all incoming mail, and providing the accounting, financial reporting, purchasing, payroll processing, accounts payable, and general accounting functions for the office. The section is responsible for approximately 300,000 money transactions totaling over \$14,000,000 each biennium. This unit ensures compliance with standard accounting principals, state and federal laws, rules, policies and guidelines for appropriate use of fiscal resources.

HUMAN RESOURCES administers the office's human resources and labor relations program including recruitment, selection, classification, and compensation; benefits administration, affirmative action, training, 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 consistently delivered improved services with reduced staff following budget reductions and office reorganization described in the agency level narrative. The division has computerized many fiscal processes including: customer refunds, receipting, receipt posting, deposit worksheets, account book ledgers, budget reports and annual spending plans. This has significantly restructured the way the work is done in the Fiscal Services and Human Resources sections.

Activity Accomplishments

1. Five sets of uncontested administrative rules including: (a) Two sets of Uniform Commercial

Code form rules and one set of UCC filing rules; (b) Rules for the central notification system for farm product liens and (c) International student exchange organizations rules were written and adopted. When the rule making process can be completed uncontested it saves the taxpayers money and expedites the time required to implement the process the rules govern.

2. The office secured clearance and completed training that enabled it to secure computer access to the Department of Employee Relations computerized personnel/payroll system. This greatly improved the access, timeliness, quality and accuracy of personnel transactions conducted between the Office of the Secretary of State and the Department of Employee Relations.
3. The programmatic budget structure of the office was changed to more closely align the appropriations and expenditures with the new organizational structure. This has resulted in fewer accounts and reduced the number of transactions required by Fiscal Services.
4. The office Fiscal division has 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. This consistently high productivity level has saved tax payers money by resulting in reduced interest penalties for late payments and enabled the office to maintain positive relationships with vendors.
5. The Secretary received and processed 49 name contests in a timely manner. (Name contests are disputes between businesses who believe the similarity in their business names is confusing to the public.)
6. The office developed and delivered customer and staff training that effectively introduced new information to the work environment in the areas of: customer service phone skills; election judge training; personal computer hardware & software training; LAN (Local Area Network) & WAN (Wide Area Network) information training; Central Notification Farm Lien (CNS) user training; voter registration system user training; redistricting system user training and election night reporting system training. The use of in-house trainers who design courses with the adult learner as the focus has enabled the office to produce a significant savings in both time and outside vendor costs.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: ADMINISTRATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	572	609	679	679	698	679	680	700	680
EXPENSES/CONTRACTUAL SRVCS	42	47	119	74	74	74	74	74	74
MISC OPERATING EXPENSES	17	20	22	22	23	22	22	23	22
SUPPLIES/MATERIALS/PARTS	23	16	6	6	10	6	6	10	6
CAPITAL EQUIPMENT	55	14	67	20	20	20	20	20	20
SUBTOTAL STATE OPERATIONS	709	706	893	801	825	801	802	827	802
TOTAL EXPENDITURES	709	706	893	801	825	801	802	827	802
AGENCY REQUEST ITEMS:									
			FUND						
POSTAGE INCREASE			GEN		1			1	
UNFUNDED SALARY SUPPLEMENT & INFLATION FACTOR			GEN		23			24	
TOTAL AGENCY REQUEST ITEMS					24			25	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	709	706	893	801	825	801	802	827	802
TOTAL FINANCING	709	706	893	801	825	801	802	827	802
FTE BY EMPLOYMENT TYPE:									
REGULAR	12.4	14.2	16.4		16.4			16.4	
TEMP/SEAS/PART_TIME	1.1	.2	.1		.1			.1	
OVERTIME	.1								
TOTAL FTE	13.6	14.4	16.5		16.5			16.5	

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1996-97 Biennial Budget

BUDGET ACTIVITY: Operations
PROGRAM: Secretary of State
AGENCY: Secretary of State

ACTIVITY DESCRIPTION:

The operations activities include:

1. **Uniform Commercial Code (UCC)** division 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.

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 ongoing responsibility of providing photocopies and certified copies of Uniform Commercial Code and Business Services documents is a growing concern of this office. Nearly 300,000 copies of UCC and Business Services documents are generated each year from customer requests. The demand for information from our customers is increasing and the customer's need to have the information immediately available is becoming more difficult to achieve.

In the UCC Division, there are 145 rolls of microfilm, increasing at the rate of 18.5 rolls of film each year. In the Business Services Division, there are 1,082 rolls of microfilm, increasing at a rate of 56 new rolls of film each year. In addition, approximately 250,000 microfiche are stored, increasing at the rate of over 30,000 new fiche each year. Accessibility, retrieval and storage of these documents will need to be addressed in this biennium.

EFFICIENCY MEASURES:

	F.Y. 1994 ACTUAL #	F.Y. 1995 ESTIMATE	F.Y. 1996 ESTIMATE	F.Y. 1997 ESTIMATE
UCC Records				
# of Documents Processed	87,789	87,500	89,000	90,500
# of Days Processing Time	1	1	1	1
UCC Searches				
# of Documents Processed	11,250	12,000	13,000	14,000
# of Copies Generated	79,488	80,000	81,000	82,000
# of Days Processing Time	2	2	1	1
Tax Liens				
# of Requests Processed	2,917	3,100	3,200	3,300
# of Days Processing Time	1	1	1	1
Certification/Certified Copies				
# of Requests Processed	26,064	29,000	32,000	35,000
Number of Copies Generated	185,090	188,000	190,000	192,000
# of Days Processing Time	1	1	1	1
Central Notification System				
# of Documents Processed	2,150	2,200	2,275	2,375
# of Total Buyers Registered	372	500	550	625
# of Days Processing Time	1	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, limited partnership, limited liability, 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 of substituted service of process on corporations.

BUDGET ISSUES:

The year-to-date trend over the last 40 years is that the number of business filings has almost always increased. The table below shows recent statistics. A stable or growing workload for the division is indicated for the biennium. Growth in the number of filings has not been tied to overall economic growth; during tight economic times, entrepreneurial business start-ups increase as established businesses trim staff.

F.Y. 1994 saw substantial growth in the number of transactions processed by the division and spectacular growth in the number of filings processed per employee. New monthly records were set for business corporation formation for the 7 consecutive months ending F.Y. 1994. The growth in filing volumes has taken place without substantial automation in the workflow of the division, and human resources have been stretched about as far as they can be under the current system.

1996-97 Biennial Budget

BUDGET ACTIVITY: Operations
PROGRAM: Secretary of State
AGENCY: Secretary of State
 (Continuation)

Each fiscal year the division serves over 50,000 customers, including 15,000 telephone inquiries and approximately 10,000 customers at the public counter.

<u>SERVICE PROVIDED:</u>	<u>ACT. 93</u>	<u>ACT. 94</u>	<u>EST. F.Y. 95</u>	<u>EST. F.Y. 96</u>
New Business Incorporations	10,186	11,383	12,000	12,500
Corporate Amendments	12,765	12,682	12,500	12,400
Non-Profit Incorporations	1,582	1,565	1,550	1,600
Foreign Corporations	1,478	1,582	1,600	1,600
Foreign Corp. Amendments	1,679	1,805	1,800	1,800
New Limited Partnership	436	499	500	500
Assumed Name Certificates	14,400	14,026	14,000	14,000
Trademarks	1,650	1,504	1,500	1,500
Service of Process	1,241	1,251	1,250	1,250
Limited Liability Companies	315	701	840	1,000
TOTALS	46,233	47,860	47,490	48,150
FTE Staff Assigned to Process Filings	4	3	3	3
Average Filings per Staff	11,557	15,953	15,830	16,050

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 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. These data bases 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 1,250 private businesses and citizens.

PRODUCTIVITY MEASURES:

1. Implementation of Direct Access program.
2. Design and installation of LANs in both 555 Park and 180 SOB.
3. Office-wide deployment of PC technology.
4. Implementation of Central Notification System for Farm Product Liens.
5. Redistricting and notification of the 2.7 million registered voters listed in our computer system.
6. System Performance/Capacity Planning study for Election Reporting System.
7. Implemented technology to produce public sector lists on computer diskette.
8. Installed main site laser printer which allows us to meet roster printing deadlines.
9. Installed UPS to assure reliable computer service.
10. Discontinued maintenance on PCs and terminals resulting in major cost savings.

- **Public Information (Direct Access)** section disseminates accurate information concerning businesses operating in Minnesota through its Business Information phone lines which answer questions from the general public. The section provides Direct Access to major data bases maintained by the Office of Secretary of State, and also provides customers with voter registration and business information on magnetic tape and diskette, as well as, paper.

Direct Access 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.

Sale to the public of lists, labels, 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 constitutional amendments.

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.

A programming re-write of documentation for business services records series layouts occurred. Customers purchasing data on 9 track tape now have a layout to follow for the first time, and also the re-programming resulted in a much better product. In the process of re-writing this layout program, changes were implemented that added desirable information that had not been previously submitted. Enhancements were also made to the programs, improving the data content.

1996-97 Biennial Budget

BUDGET ACTIVITY: Operations
PROGRAM: Secretary of State
AGENCY: Secretary of State
 (Continuation)

PRODUCTIVITY MEASURES:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
RECORDS/LISTS SOLD				
Voter Registration Lists/Labels/Tapes	533	650	750	700
Log Printouts	2,487	2,500	2,500	2,500
Business Services Tapes	15	16	17	18
Business Services Lists/Labels	187	190	190	190
DIRECT ACCESS				
Paid Subscribers	365	401	437	473
Total Revenue	\$356,000	\$365,000	\$370,000	\$375,000
BUSINESS INFORMATION LINES				
Incoming Calls	208,000	210,000	220,000	220,000

■ Records Processing section processes and provides data entry for all business and financial documents filed in the Office of Secretary of State. The section also ensures the accuracy and integrity of all data bases maintained by this office

Records Processing section has a primary responsibility for:

1. Ensuring the accuracy and integrity of the data bases maintained by entering accurate data on a daily basis into the computer system on domestic and foreign corporations, nonprofit corporations, limited partnerships, trademarks, assumed business names, limited liability companies, limited liability partnerships, business trusts, reservations of names, state and federal tax liens and uniform commercial code documents. The information is available to each of the 87 counties in the state.
2. Filing annual registrations for foreign and domestic profit and nonprofit corporations and legal newspapers registered to do business in Minnesota. This section is also responsible for biennial registrations for all limited liability companies, both foreign and domestic.
3. All statutory dissolutions of corporations that have failed to file a registration for a 3 year period, thus making more business names available to the public and providing a more accurate data base. The section revokes certificates of authority to do business in Minnesota when a foreign corporation fails to file an annual.

BUDGET ISSUES:

Organizational restructuring has taken place to eliminate, simplify and restructure workloads to improve the quality of service delivered to our customers. Two separate sections were combined into one section. A second section was formed to handle the marketing and sale of voter registration and business records, as well as direct access to our data bases and staffing of our public information phone lines. This provides opportunities for cross training within the sections which better utilizes each employee and enables the office to provide experienced back-up when the workload demands it.

Work processes for the acceptance and rejection of Minnesota domestic annual reports were changed in the section to eliminate and simplify work processes and workloads that improved the quality of service delivered to the customers of the office both internally and externally.

PRODUCTIVITY MEASURES:

ANNUAL REPORTS	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Domestic Corporations				
Filed	68,441	70,000	71,000	72,000
Rejected	13,600	7,000	7,000	7,000
Rejection Rate	20%	10%	10%	10%
Statutory Dissolutions	5,873	4,000	3,000	2,000
Reinstated	275	200	100	100
Foreign Corporations				
Annual Reports Filed	9,951	10,500	11,000	11,500
Fees in Excess of Minimum	\$371,000	\$400,000	\$430,000	\$475,000
Revocations	779	800	800	800
Non-Profit Corporations				
Filed	16,624	18,000	18,000	18,000
Rejected	1330	1,300	1,300	1,300
Rejection Rate	8%	7%	7%	7%
Legal Newspapers				
Filed	350	360	370	380
Rejected	3	3	3	3
Rejection Rate	1%	1%	1%	1%
Renewals				
Assumed Names				
Due to Expire	7,033	8,927	9,543	9,538
Renewed	858	1,000	1,500	1,500
Trademarks				
Due to Expire	769	848	789	883
Renewed	243	250	300	350
Records - Data Entered				
Business Services	51,722	54,000	54,000	54,000
UCC	88,561	90,000	90,000	90,000

1996-97 Biennial Budget

BUDGET ACTIVITY: Operations
PROGRAM: Secretary of State
AGENCY: Secretary of State
 (Continuation)

REVENUE:

This activity generates dedicated and non-dedicated revenue.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated - Gen'l					
Uniform Commercial Code	\$891	\$1,237	\$1,272	\$1,285	\$1,290
Business Services	3,160	3,254	3,275	3,280	3,295
Information Services	2,334	2,626	2,649	2,670	2,661
Total Non -dedicated - Gen'l	6,385	7,117	7,196	7,235	7,246
Dedicated - Special	227	356	365	370	375
Total	\$6,612	\$7,473	\$7,561	\$7,605	\$7,621

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: OPERATIONS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,496	1,382	1,710	1,710	1,797	1,710	1,710	1,762	1,710
EXPENSES/CONTRACTUAL SRVCS	652	670	1,001	793	1,303	793	799	1,122	799
MISC OPERATING EXPENSES	327	390	379	379	386	379	379	387	379
SUPPLIES/MATERIALS/PARTS	149	399	92	94	221	94	95	163	95
CAPITAL EQUIPMENT	1,568	1,031	1,686	1,310	3,234	1,310	1,310	1,310	1,310
OTHER	9	3	4	4	4	4	4	4	4
SUBTOTAL STATE OPERATIONS	4,201	3,875	4,872	4,290	6,945	4,290	4,297	4,748	4,297
TOTAL EXPENDITURES	4,201	3,875	4,872	4,290	6,945	4,290	4,297	4,748	4,297
AGENCY REQUEST ITEMS:									
			FUND						
OPTICAL IMAGING EQUIPMENT			GEN		1,214			135	
POSTAGE INCREASE			GEN		7			8	
EQUIP FOR 87 COUNTY COMPUTER NETWORK			GEN		1,318			188	
UNFUNDED SALARY SUPPLEMENT & INFLATION FACTOR			GEN		116			120	
TOTAL AGENCY REQUEST ITEMS					2,655			451	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,943	3,557	4,327	3,913	6,568	3,913	3,915	4,366	3,915
STATUTORY APPROPRIATIONS:									
GENERAL		5	5	5	5	5	5	5	5
SPECIAL REVENUE	257	312	538	370	370	370	375	375	375
AGENCY	1	1	2	2	2	2	2	2	2
TOTAL FINANCING	4,201	3,875	4,872	4,290	6,945	4,290	4,297	4,748	4,297

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: OPERATIONS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
REGULAR	36.7	38.6	52.1		52.1		52.1		
TEMP/SEAS/PART_TIME	5.3	1.0	1.0		1.0		1.0		
OVERTIME	.1	.3	.3		.3		.3		
TOTAL FTE	42.1	39.9	53.4		53.4		53.4		

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Secretary of State
 PROGRAM: Secretary of State
 ACTIVITY: Operations

ITEM TITLE: Optical Imaging Equipment

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,214	\$135	\$139	\$143
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Secretary of State to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

RATIONALE:

The Office of the Secretary of State needs to convert its current manual microfilm and microfiche retrieval of stored documents to an optical imaging system.

The UCC and Business Services divisions currently has 2,227 rolls of microfilm increasing at a rate of 74.5 new rolls of film each year. In addition, approximately 250,000 microfiche are stored, increasing at a rate of 30,000 new fiche each year.

Accessibility, retrieval and storage of these records has been difficult for a number of years, however the growing number of requests, the lack of storage space, and the customers need to have this information immediately available has exacerbated the problem.

PROGRAM OUTCOMES:

The microfilm is stored in 5 large carrousel and the office will use all of the space available by the end of F.Y. 1995. There is no space to put in additional carrousel. The microfiche is stored in a lektriever which is projected to be full by the end of the fiscal year. If any of these fiche or film have to be moved offsite, we cannot provide expedited service to our customers.

LONG-TERM IMPACT:

The state will lose revenue from the expedited fees in the amount of \$290,000 in the biennium.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Secretary of State
PROGRAM: Secretary of State
ACTIVITY: Operations

ITEM TITLE: Equipment for 87 County Computer Network

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,318	\$188	\$193	\$199
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Secretary of State to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

RATIONALE:

The Secretary of State's Statewide Computer Network connecting all 87 county auditors and recorders offices and linking the records of all registered voters, all uniform commercial code transactions and all state and county election results is in need of replacement due to the age of the equipment and the changes in technology. The equipment is approximately 7 years old.

Recommendations from a study done by an outside consultant and funded by the legislature last biennium are that the county equipment be replaced as a good first step toward updating the entire Secretary of State computer system. The replacement of the county equipment can be implemented into the current networking environment in place in the office, and is a necessary first step towards the migration into a recommended office-wide client/server, open systems environment.

The recommendation was based on these major findings:

- (a) Changes in telecommunications and other technology will render the aging equipment in the 87 county statewide network obsolete if the Office of the Secretary does not take the proper steps to keep pace with new levels of technological sophistication and change that is occurring in the marketplace.
- (b) With a decrease in the number of SNA network users the cost to use the current network will increase for those remaining on the network. While InterTech service does not provide the SNA network used to link communication between the Secretary of State and the 87 county auditor and recorder offices for profit, as other agencies move their users to other communication means such as MNet, the operational costs for the SNA will be spread among fewer organizations and the cost will be significantly higher. The office currently spends \$428,000 a biennium for telecommunications line charges and device connect charges.
- (c) The existing county equipment, like all other equipment, has an expected life cycle. When installed, this life cycle was planned to be 5 years. The equipment has been in use for 7 years. The age of the equipment has a significant bearing on the current expenditures for maintenance on these printers and terminals. During the last 2 years, the office has spent \$42,400 on maintenance contracts for the county equipment.

PROGRAM OUTCOMES:

The Secretary of State will be able to continue the operation of the Statewide Computer Network. This is crucial to the business and financial community of Minnesota. In addition, we will be able to implement replacement of the county equipment into our current computer networking environment and migrate it into a recommended client/server, open systems environment in the future.

LONG-TERM IMPACT:

Changes in telecommunications and other technology will render this equipment on the network obsolete if the Secretary of State does not take proper steps to replace it and keep pace with technology in the future.

BUDGET ACTIVITY: Election Administration
PROGRAM: Secretary of State
AGENCY: Secretary of State

ACTIVITY DESCRIPTION:

The Election Division is 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 this activity are: to insure that elections are conducted honestly and fairly, in conformance with the Minnesota election law; to provide Minnesota residents with an opportunity for meaningful public participation in government; to improve the efficiency of election administration; to ensure that government reflects Minnesota's population; to facilitate community participation in government decision-making and to preserve official public documents, making them available for use by the public.

The division houses the following activities:

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.

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 division advertises vacancies on state councils, boards and commissions in the State Register once every month, inviting the public to apply for vacant positions. The division also prepares and mails a monthly listing of vacancies to over 1,500 persons. Division 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.

Public Information which 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.

Official Documents which 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 division. The division 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:

The following issues relate to the election administration activity of the division.

The administration of elections in Minnesota is becoming more 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.

The cost of compensation to the election judges represents the majority of the state financial commitment to support the presidential primary election. The election judges are vital personnel without whose services the election cannot be administered. The salaries of the election judges are established by the governing body of each municipality and, especially in the metropolitan area, are subject to the prevailing labor market and not easily subject to state control. As a result, it is imperative that the inflation in wage rates since the 1992-1993 biennium be reflected in the appropriation for the 1996-97 biennium.

In the view of the Secretary of State, one way to reduce the costs of election judge compensation would be to conduct the presidential primary entirely by mail. Such a proposal would require legislative authorization.

The legislature and the state departments continue to create new agencies and designate other agencies that are required to appoint their members in the manner provided by the Open Appointments Act. Since F.Y. 1990, the number of agencies administered under Open Appointments has increased by 13% and the number of members whose appointments must be administered under Open Appointments has increased by 16%.

The division will need to improve the quality and usefulness of official publications while recognizing that there has been and will likely continue to be declining resources available for this activity. The division will also need to prepare additional series of election district maps to meet the public demand for this information.

The division will need to make use of computer technology, especially optical disk storage, continue to provide ready access to an increasing number of public documents by an increasing number of people at a lower cost to the public.

EFFICIENCY MEASURES:

The objectives of the division for the F.Y. 1996-97 biennium are to: improve the quality of services provided to support the administration of elections in Minnesota while continuing to reduce administrative costs, where possible; accommodate the growth of activity in open appointments while maintaining or reducing costs, where possible; improve the quality and usefulness of information made available to the public while reducing the costs of publication where possible; and improve the access to public documents while remaining at the same budget level provided in the previous biennium. To achieve these objectives, the division plans to: continue making extensive use of video teleconferencing and other video materials to provide improved and more comprehensive information on election laws and procedures to local election officials; prepare camera-ready copy or electronic typeset copy for all division publications; seek statutory authority enabling local election officials to purchase election supplies through a state contract; revise or repeal obsolete rules to streamline the administrative process; continue to administer the reimbursement of election expenses in a manner which will ensure that the state is only held financially

1996-97 Biennial Budget

BUDGET ACTIVITY: Election Administration
PROGRAM: Secretary of State
AGENCY: Secretary of State
 (Continuation)

responsible for election costs that can be documented by the counties and municipalities; limit administrative costs for election reimbursements to no more than three-tenths of 1% of the total amount appropriated by the legislature; continue making improvements to the state voter's guide to make them more useful to the voters; prepare election district maps covering Minnesota cities; and provide access to any public document maintained in the office within 10 minutes after receiving a request for a specific document.

The division has accomplished the following during the F. Y. 1994-95 biennium.

1. Improved the quality and expanded the subject matter covered in the election judges training video, which was subsequently purchased by over 175 local election officials, and completely revised the accompanying election judges training guide, reducing the cost of publication of the guide by 45% from the previous biennium.
2. Improved the design of the voter registration card, making it easier for the voters to use and providing more accurate information for election administrators, while reducing the cost of printing the card by 49% from the previous biennium.
3. Processed over 3,800 applications for service on 217 state boards and commissions, and administered the appointments process for over 1,200 positions.
4. Improved the format and design of the state voter's guide for the precinct caucuses and the state elections, providing basic election information to the public in a more effective manner and reducing the cost of publication by 11% from the previous biennium.
5. Reduced the cost of publishing the *Minnesota Legislative Manual* and *Minnesota Elected Officials* by 7% and 10%, respectively, from the previous biennium.
6. Improved the quality and reduced the cost of publishing *Minnesota Election Results* by 47% from the previous biennium.
7. Prepared more than 100 congressional and legislative district maps for sale to candidates for public office and the general public and prepared reference copies of election district maps for each of the 87 county auditors in Minnesota.
8. Taken custody of approximately 600 laws properly signed by the governor and filed with the secretary of state.
9. Accepted, recorded and maintained approximately 11,000 public documents, an increase of approximately 10% over the previous biennium.

REVENUE:

This activity generates non-dedicated revenue.

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Type of Revenue:					
Non-dedicated - Gen'l	\$59	\$1	\$55	\$11	\$62

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: ELECTION ADMINISTRATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	216	247	265	272	280	272	265	274	265
EXPENSES/CONTRACTUAL SRVCS	184	102	243	173	191	173	187	187	187
MISC OPERATING EXPENSES	24	101	20	26	27	26	20	21	20
SUPPLIES/MATERIALS/PARTS	50	24	19	19	27	19	19	27	19
CAPITAL EQUIPMENT	101	48	32	37	37	37	32	32	32
SUBTOTAL STATE OPERATIONS	575	522	579	527	562	527	523	541	523
LOCAL ASSISTANCE	1,599		2	3,023	3,117	3,023	2	2	2
TOTAL EXPENDITURES	2,174	522	581	3,550	3,679	3,550	525	543	525
AGENCY REQUEST ITEMS:									
			FUND						
ELECTION JUDGE TRAINING			GEN		18				
PRESIDENTIAL PRIMARY			GEN		94				
POSTAGE INCREASE			GEN		1			1	
UNFUNDED SALARY SUPPLEMENT & INFLATION FACTOR			GEN		16			17	
TOTAL AGENCY REQUEST ITEMS					129			18	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,174	522	579	3,548	3,677	3,548	523	541	523
STATUTORY APPROPRIATIONS:									
AGENCY			2	2	2	2	2	2	2
TOTAL FINANCING	2,174	522	581	3,550	3,679	3,550	525	543	525
FTE BY EMPLOYMENT TYPE:									
REGULAR	5.1	6.1	7.1		7.1			7.1	

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: ELECTION ADMINISTRATION

ACTIVITY SUMMARY	FY 1993	FY 1994	. Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
TEMP/SEAS/PART_TIME	.2								
TOTAL FTE	5.3	6.1	7.1		7.1			7.1	

F.Y. 1996-97 BUDGET INITIATIVE

LONG-TERM IMPACT:

This program will recur in each state election year.

AGENCY: Secretary of State
 PROGRAM: Secretary of State
 ACTIVITY: Elections Administration

ITEM TITLE: Election Judge Training

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$18	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Secretary of State to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

RATIONALE:

The basis for this request is twofold: first, to produce additional material for the training video used to train election judges prior to the state elections and second, to conduct election conferences via satellite. The secretary of state is required by Minnesota Statutes 204B.25 and 204B.27 to provide election information and training materials for election judges and officials.

PROGRAM OUTCOMES:

The outcome of this program will be better informed election officials and more effective training materials for election judges serving at state elections. Based on past experiences, the secretary of state has concluded that video is the preferred and most effective medium of communication for this program.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Secretary of State
PROGRAM: Secretary of State
ACTIVITY: Election Administration

ITEM TITLE: Presidential Primary

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$94	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

*Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Secretary of State to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

RATIONALE:

The legislature appropriated \$3,118,375 in F.Y. 1992 to pay the costs of the 1992 presidential primary. The request for F.Y. 1996 is to pay the costs of the 1996 presidential primary, as provided by Minnesota Statutes 207A.03, subdivision 3; 207A.07; and 207A.10. An increase over the base of 3% is requested to cover expected increases in reimbursement requests from counties and municipalities for compensation to election judges.

PROGRAM OUTCOMES:

The outcome of this program will be to administer the 1996 presidential primary, which will permit the voters to indicate their preference for the Democratic, Republican and Independence party nominees for president.

LONG-TERM IMPACT:

The presidential primary occurs in each presidential election year. The next appropriation request for administration of the presidential primary will be in F.Y. 2000.

1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: STATE AUDITOR, OFFICE OF

PROGRAM

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Single Audit

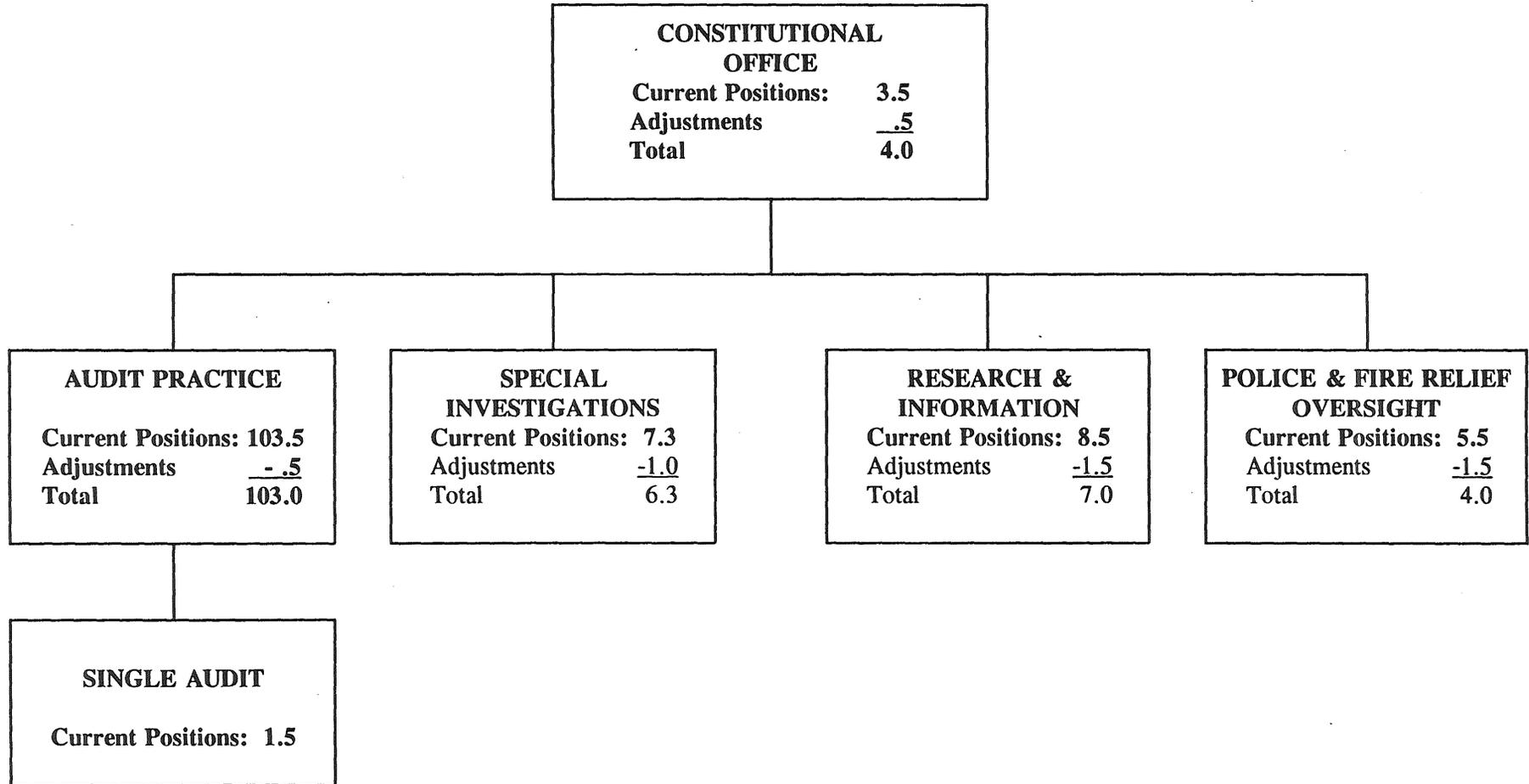
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Constitutional Office

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Office of the State Auditor Organization Chart 1/3/95



June 30, 1994 FTE Employees: 119.6

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: State Auditor

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$7,479	\$7,479	\$14,958
<u>BASE ADJUSTMENT:</u>			
Appropriation Carried Fwd.	(11)	(11)	(22)
Documented Rent/Lease Inc/Dec	<u>5</u>	<u>13</u>	<u>18</u>
<u>CURRENT SPENDING</u>	\$7,473	\$7,481	\$14,954
<u>AGENCY DECISION ITEMS:</u>			
Restructuring	(337)	(337)	(674)
<u>AGENCY REQUEST</u>	\$7,136	\$7,144	\$14,280
<u>GOVERNOR'S INITIATIVES:</u>			
GOVERNOR'S RECOMMENDATIONS	\$7,136	\$7,144	\$14,280

Brief Explanation of Agency Request:

The Office of the State Auditor is submitting a reduced budget request which reflects lower costs of \$674,000 for the biennium. With lower projected revenue growth for the state and the myriad of competing demands on state and local funds, it is imperative that state offices continuously stress providing a quality product to taxpayers at a responsible price. The savings will come from streamlining the management organization rather than lowering levels of service to local governments and taxpayers.

Revenue Summary:

The Audit Practices activity, which makes up approximately 80% of the budget, is supported by fees charged for audit examinations. Although revenue is not received directly, the Police/Fire Relief Oversight activity and; the Research and Information activity are supported through transfers to the General Fund from Police/Fire Aid and the Local Government Trust Fund. The Single Audit activity is supported through reimbursements to the General Fund through the statewide indirect cost process.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the State Auditor to present its budgetary needs directly to the legislature for consideration. The Governor supports the State Auditor's budget request to reduce the current level of spending.

1996-97 Biennial Budget

AGENCY: State Auditor, Office of

AGENCY DESCRIPTION:

The mission of the Office of the State Auditor is to serve as a watchdog for Minnesota taxpayers by helping to assure integrity, accountability, and cost-effectiveness in government throughout the state.

The Office helps assure integrity in government through its oversight of approximately 4,000 cities, townships, school districts, local police and fire relief associations, and other local government entities. Through its audits, the Office assures Minnesotans that their tax dollars are being spent properly. A Special Investigations unit investigates allegations of theft, fraud, or other illegalities in the financial conduct of local governments.

Through financial, compliance, and special audits and investigations, the Office helps assure that local governments abide by the highest standards of integrity in order that government may retain its franchise from its citizens to act on their behalf.

Through its audits and statewide local government financial compilation reports, the Office helps assure that local governments are held accountable for the size and proper expenditure of tax dollars in order that government retain the confidence of its citizens.

Through its analytical reports and research, the Office helps local governments measure their effectiveness and find new ways to provide essential services more economically and efficiently in order that government can respond to growing needs with limited financial resources.

The Office helps assure accountability in government by holding local officials accountable for their spending decisions. Through its audits and financial compilation reports, the Office provides an accounting to citizens about how their tax dollars are spent. Through its Police and Fire Relief Oversight activity, the officers and trustees of local police and fire relief associations are held accountable for the proper financial management of the relief associations activities.

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 6 budget activities which enable it to carry out its responsibilities: Audit Practice; Special Investigations; Research and Information; Police/Fire Relief Oversight; Single Audit; and Constitutional Office.

The responsibilities of the various activities are as follows:

- The Audit Practice activity promotes 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.

- The Special Investigations activity investigates allegations or evidence of financial wrongdoing by local government officials or employees. The activity also works to assure integrity and accountability in local government by investigating allegations of malfeasance, misfeasance or nonfeasance on behalf of, and in service to local government officials, law enforcement agencies, certified public accountants and citizens of Minnesota.
- 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 Circulares A-128 and A-133.
- 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, and Board of Government Innovation and Cooperation.

AGENCY CHALLENGES:

The Office of the State Auditor faces 3 major challenges over the next biennium: 1) streamline the operations budget while maintaining and expanding the level of service; 2) search out and implement innovative methods to provide quality services to local government while recognizing that these entities face a shrinking revenue base; and 3) ensure that oversight is provided in a cost-effective manner.

- Streamlining the Office. The previous structure of the Auditor's Office consisted of 4 upper level Deputies and 5 Assistant Auditors. Under the restructuring of the Office, there will be only 2 Deputies and 1 Assistant State Auditor. These and other changes in the personnel structure will result in a savings of approximately \$674,000 over the next biennium. The major challenge will be to maintain and expand upon the level of service provided under the previous administration with reduced staff.
- Quality Services. Local governments can no longer rely on rapid growth in incomes and property values to provide increased tax revenues to help fuel the increased demand for more and better public services. Minnesota governments must instead identify ways to provide more and better services with relatively fewer resources. The challenge is to identify and foster innovations to provide quality, cost-effective services. This can be accomplished through developing capabilities to download financial data from counties and work on methods to allow auditors to travel less while still performing the same audit services. The Office will also encourage cooperation between this Office, the Minnesota Association of County Officials, Minnesota League of Cities and other interested parties to find methods to train local government officials and provide increased services to small communities.

AGENCY: State Auditor, Office of
(Continuation)

-
- **Cost-Effective Oversight.** A third major challenge faced by the Office is to provide a high level of public oversight over the expenditure of public funds at a cost that is both affordable and competitive. Some local governments have been approached by private audit firms offering to provide audit services at a cost that is lower than that currently charged by the State Auditor. Although it is possible to reduce the cost of an audit by limiting the scope of the examination, it is not in the best interest of the Minnesota taxpayer to cut corners when performing oversight over the expenditure of public dollars. Furthermore, allowing local government officials the ability to select their own auditors may erode the overall independence of these auditors.

REVENUE SUMMARY:

The Audit Practices activity, which makes up approximately 80% of the budget, is supported by fees charged for audit examinations. Although revenue is not received directly, the Police/Fire Relief Oversight activity and; the Research and Information activity are supported through transfers to the General Fund from Police/Fire Aid and the Local Government Trust Fund. The Single Audit activity is supported through reimbursements to the General Fund through the statewide indirect cost process.

SUMMARY OF BUDGET REQUEST:

The Office of the State Auditor is submitting a reduced budget request which reflects lower costs of \$674,000 for the biennium. With lower projected revenue growth for the state and the myriad of competing demands on state and local funds, it is imperative that state offices continuously stress providing a quality product to taxpayers at a responsible price. The savings will come from streamlining the management organization rather than lowering levels of service to local governments and taxpayers.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the State Auditor to present its budgetary needs directly to the legislature for consideration. The Governor supports the State Auditor's budget request to reduce the current level of spending.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR

ACTIVITY RESOURCE ALLOCATION:	Est.			FY 1996			FY 1997		
	FY 1993	FY 1994	FY 1995	Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
AUDIT PRACTICE	6,087	5,504	5,927	5,929	5,835	5,835	5,933	5,839	5,839
SPECIAL INVESTIGATIONS		370	407	408	313	313	408	313	313
RESEARCH & INFORMATION	329	389	510	507	423	423	509	425	425
POLICE/FIRE RELIEF OVERSIGHT	70	153	319	315	233	233	316	234	234
SINGLE AUDIT	72	77	78	78	78	78	78	78	78
CONSTITUTIONAL OFFICE	273	268	273	271	289	289	272	290	290
TOTAL EXPENDITURES BY ACTIVITY	6,831	6,761	7,514	7,508	7,171	7,171	7,516	7,179	7,179
AGENCY REQUEST ITEMS:			FUND						
RESTRUCTURING			GEN		<337>			<337>	
TOTAL AGENCY REQUEST ITEMS					<337>			<337>	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	6,787	6,699	7,479	7,473	7,136	7,136	7,481	7,144	7,144
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	44	62	35	35	35	35	35	35	35
TOTAL FINANCING	6,831	6,761	7,514	7,508	7,171	7,171	7,516	7,179	7,179
FTE BY EMPLOYMENT TYPE:									
REGULAR	115.1	117.4	126.5		122.5			122.5	
TEMP/SEAS/PART_TIME	2.4	2.0	3.3		3.3			3.3	
OVERTIME	.2	.2							
TOTAL FTE	117.7	119.6	129.8		125.8			125.8	

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. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	7,514	7,514	7,479	7,479	35	35		
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<11>	<11>	<11>	<11>				
DOCUMENTED RENT/LEASE INC/DEC	5	13	5	13				
SUBTOTAL BASE ADJ.	<6>	2	<6>	2				
CURRENT SPENDING	7,508	7,516	7,473	7,481	35	35		

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1996-97 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 Audit Practices activity promotes more accountable and cost-effective local governments. It conducts financial and legal compliance audits for 86 of the 87 Minnesota counties (The Office conducts a limited compliance audit of Hennepin County); the cities of Duluth, Minneapolis and St. Paul; organizations affiliated with counties and cities; 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 Practices 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 Practices activity has initiated improved customer services for our clients and sponsors training opportunities for local government accounting staff. The customer service efforts include: 1) improved communication with clients 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 client 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 client staff meet their training needs. The Audit Practices activity'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 government.

BUDGET ISSUES:

The Audit Practice activity request consists of \$94,000 reduction from the current level which reflects a streamlining approach to the management of the audit practice area. The Office intends to provide the same high quality services at a lower cost. The challenge the Audit Practices activity faces is to provide this high level of quality audit services at an affordable and competitive cost consistent with sound oversight of public expenditures. Audit staff actively work with clients to help minimize audit costs by using the audit planning process to identify accounting services that can be performed locally and by providing training services on accounting standards and procedures. In addition, regional field offices have been established that have reduced travel costs and a computerized financial package was developed to improve the efficiency of the financial reporting process.

PLANNED RESULTS:

The Office plans to issue a minimum of 250 audit reports consisting of counties, cities, organizations affiliated with counties and cities, and other local governments during the fiscal years ending June 30, 1995, 1996 and 1997. Joint staff and client training programs will be held semi-annually on local government accounting and audit procedures to help improve the audit efficiency and to improve local government accounting practices. In efforts toward improving the quality of our audits, the Office participates in a Peer review program that is conducted under the auspices of the National State Auditors Association. The purpose of the Peer review program is to report on the Office's system of audit quality control and its compliance with established policies and procedures and applicable auditing standards. The Office previously participated in the Peer review program and an unqualified opinion was received in 1991. The Office anticipates the same results for the Peer review that will be performed in late 1994.

REVENUE:

This activity generates dedicated and non-dedicated revenues.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated - Gen'l	\$5,025	\$5,279	\$5,718	\$5,720	\$5,724
Dedicated - Special	<u>48</u>	<u>66</u>	<u>32</u>	<u>32</u>	<u>32</u>
Total	\$5,073	\$5,345	\$5,750	\$5,752	\$5,756

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: AUDIT PRACTICE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	4,958	4,723	5,192	5,192	5,098	5,098	5,192	5,098	5,098
EXPENSES/CONTRACTUAL SRVCS	275	301	243	245	245	245	249	249	249
MISC OPERATING EXPENSES	290	257	360	360	360	360	360	360	360
SUPPLIES/MATERIALS/PARTS	204	104	82	82	82	82	82	82	82
CAPITAL EQUIPMENT	360	119	50	50	50	50	50	50	50
SUBTOTAL STATE OPERATIONS	6,087	5,504	5,927	5,929	5,835	5,835	5,933	5,839	5,839
TOTAL EXPENDITURES	6,087	5,504	5,927	5,929	5,835	5,835	5,933	5,839	5,839
AGENCY REQUEST ITEMS:									
			FUND						
RESTRUCTURING			GEN		<94>			<94>	
TOTAL AGENCY REQUEST ITEMS					<94>			<94>	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	6,043	5,443	5,895	5,897	5,803	5,803	5,901	5,807	5,807
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	44	61	32	32	32	32	32	32	32
TOTAL FINANCING	6,087	5,504	5,927	5,929	5,835	5,835	5,933	5,839	5,839
FTE BY EMPLOYMENT TYPE:									
REGULAR	104.1	96.6	101.5		101.0			101.0	
TEMP/SEAS/PART_TIME	1.4	1.3	2.0		2.0			2.0	
OVERTIME	.2	.2							
TOTAL FTE	105.7	98.1	103.5		103.0			103.0	

1996-97 Biennial Budget

BUDGET ACTIVITY: Special Investigations
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of

ACTIVITY DESCRIPTION:

The Special Investigations activity works to assure integrity and accountability in local government by investigating allegations of malfeasance, misfeasance or nonfeasance on behalf of, and in service to local government officials, law enforcement agencies, certified public accountants and citizens of Minnesota. This activity also supports field staff when wrongdoing is uncovered or suspected during financial and compliance audits of local governments.

As a result of publicity from such events as U.S. Health and Urban Development (HUD) scandals, savings and loan failures, and similar fraud at the local and national level, the public has an increased expectation that the auditor should detect fraud, waste and abuse. Auditors are now responsible, under professional standards, for the detection of fraud that is material to audited financial statements. This activity is an integral part of a growing commitment to strengthen public trust in the financial reporting system.

Staff receive specialized training in fraud auditing, investigation, law, criminology and ethics. In addition to performing independent investigations, the activity has supported investigations of local law enforcement agencies, the Bureau of Criminal Apprehension, and the Office of the Attorney General, where suspected fraud involving government funds has required complex financial investigative expertise.

M.S. 609.456 requires public employees and officials to report evidence of theft, embezzlement or unlawful use of public funds to the state auditor. In addition, the Special Investigations activity relies on routine local government audits and concerned citizens for information about suspected wrongdoing. The activity is a fact-finding entity and has no prosecutorial powers. Its role is to evaluate allegations brought to its attention and, when appropriate, provide specialized auditing techniques, initiate an independent investigation or refer the matter to appropriate oversight authorities.

Investigations that disclose evidence of misfeasance, malfeasance or nonfeasance are referred to the appropriate authorities for corrective action. Evidence of criminal wrongdoing is turned over to the county attorney for prosecution. Evidence of other violations of local ordinance or policy are referred to local officials so they may pursue civil litigation to recover losses, initiate disciplinary action or take other appropriate action. Findings of improper financial management practices are also referred to local officials in order that such practices may be corrected.

The effectiveness of the Special Investigations activity to promote integrity in government is not limited to its ability to investigate allegations of wrongdoing by local government officials and employees. By publicizing the results of its investigations, the activity acts as a deterrent to misappropriation of public funds. Moreover, as a result of its investigative efforts the activity is often able to contribute to the organization's mission of accountability and cost-effectiveness through training and educational presentations which result from actions of the activity. For example, as a result of cases involving courts, the activity provided training programs throughout the State of Minnesota in cooperation with the State Courts Administration in support of improved financial

practices promulgated by the Conference of Chief Judges. Staff will take an increasingly active role in providing the training and education to enable local government officials and employees to prevent and detect fraud, waste and abuse in their programs and operations.

BUDGET ISSUES:

The Special Investigations activity request consists of a \$95,000 reduction from the current level of spending. The Office expects to maintain the historic investigative case load with a reduced management staffing level. The Special Investigation activity is funded by the General Fund. As with most law enforcement activities, funding through user generated revenues is not feasible. Local governments are not charged for specialized services relating to the detection and prosecution of suspected fraud for several reasons. Government officials would hesitate to utilize the service and would likely discontinue reporting as required by M.S. 609.456. There would also be great resistance to conducting the comprehensive and exploratory procedures that are an inherent part of the investigative process. Finally, assessing fees against a governmental entity may not be appropriate in the case of many investigations due to the nature of the case and the target.

PLANNED RESULTS:

- During F.Y. 1996-97, because of experience and employee development programs in place, the activity will continue to increase its service level. The activity expects to resolve approximately 225 complaints, requests for assistance from local governmental units, requests from other law enforcement agencies and formal M.S. 609.456 notifications.
- The activity will strive to maintain its conviction success rate of approximately 90% on cases referred to a county attorney with a recommendation for prosecution. The quality and effectiveness of the activity's work may be measured by the fact that every case filed by a county attorney has resulted in a criminal conviction because of a guilty plea, and not one has necessitated a trial. The cost effectiveness and efficiency of the investigative work performed may be measured by the savings resulting from avoidance of costly and time consuming trials.
- Personnel who have been involved with only limited training programs and presentations to local governmental organizations will undertake a major initiative during the biennial budget period to provide training and educational programs. The objective of this initiative will be to help local government managers to evaluate their control systems to improve systems which prevent fraud, waste and abuse. This initiative will also include development of a training program for field auditors to enhance the detection of fraud, waste and abuse.
- The activity will continue to address and report on major policy development issues that have state-wide impact and relate to assessing the integrity, stewardship and performance of government activities, such as cemetery oversight and the public procurement practices of local governments.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: SPECIAL INVESTIGATIONS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES		333	357	357	262	262	357	262	262
EXPENSES/CONTRACTUAL SRVCS		22	28	29	29	29	29	29	29
MISC OPERATING EXPENSES		10	15	15	15	15	15	15	15
SUPPLIES/MATERIALS/PARTS		2	3	3	3	3	3	3	3
CAPITAL EQUIPMENT		3	4	4	4	4	4	4	4
SUBTOTAL STATE OPERATIONS		370	407	408	313	313	408	313	313
TOTAL EXPENDITURES		370	407	408	313	313	408	313	313
AGENCY REQUEST ITEMS:									
			FUND						
RESTRUCTURING			GEN		<95>		<95>		
TOTAL AGENCY REQUEST ITEMS					<95>		<95>		
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		370	407	408	313	313	408	313	313
TOTAL FINANCING		370	407	408	313	313	408	313	313
FTE BY EMPLOYMENT TYPE:									
REGULAR		6.0	6.0		5.0		5.0		
TEMP/SEAS/PART_TIME		.6	1.3		1.3		1.3		
TOTAL FTE		6.6	7.3		6.3		6.3		

1996-97 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 by:

- Researching and analyzing of local government financial trends enables local government officials, state and local taxpayers and state policy makers to better understand the relative financial condition of all local governments. Conducting detailed analysis of local government spending patterns to highlight practices employed by various local governments that result in more cost-effective government services.
- Prescribing accounting and financial reporting standards for Minnesota's counties, cities, townships and special service districts to help ensure uniformity and consistency.
- Collecting uniform financial data from Minnesota's local governments and compilation of the information into a statewide database. 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.
- Disseminating statewide financial data relative to local government revenues, expenditures, indebtedness, fund balances, 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.
- Developing and maintaining the City and Town Accounting System (CTAS), a computer software program, which is made available to local governments to help automate and improve many of their accounting functions.

BUDGET ISSUES:

The Research and Information activity request consists of an \$84,000 reduction from the current level of spending. The Office expects to maintain the same level of research efforts, but these efforts can be provided at a reduced cost through streamlining management. This activity is funded from the General Fund and 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. 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. In order for this activity to fully recover its costs, M.S. 477A.014, Subd. 4, would need to provide for the full reimbursement of costs from the Local Government Trust Fund.

PLANNED RESULTS:

- Conduct in-depth research and analysis of local government finances, including an analysis of our state-local fiscal relationships.
- Recommend proposals for improving the effectiveness and efficiency of the systems used for delivering and financing local government services.
- Revise reporting forms and instructions used to collect routine financial information from local governments.
- Review and resolve apparent discrepancies and reporting errors in financial statements, audits, lobbying disclosure forms, criminal forfeiture incident reporting forms, solid waste management reporting forms, and other statutorily required reporting forms filed by 87 counties, 855 cities, and over 1,800 townships.
- Maintain comprehensive database of financial data on all local governments throughout the state of Minnesota.
- At the request of legislative committees and other clients, develop special surveys and forms used to collect detailed financial information on specific subjects related to local government finances.
- Review reporting forms filed by local governments on the bonded debt for streets and highways and share database with the Department of Transportation.
- Use comprehensive local government database to develop financial health profiles on all counties and cities with populations over 2,500.
- Maintain and upgrade Cities and Towns Accounting System software for use by small cities and towns throughout the state.

The overall efficiency and effectiveness of the Research and Information activity extends 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 CTAS user fees.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue:					
Non-dedicated - Gen'l	\$7	\$22	\$6	\$6	\$6

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: RESEARCH & INFORMATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	292	341	418	418	334	334	418	334	334
EXPENSES/CONTRACTUAL SRVCS	25	29	69	66	66	66	68	68	68
MISC OPERATING EXPENSES	6	11	16	16	16	16	16	16	16
SUPPLIES/MATERIALS/PARTS	6	6	5	5	5	5	5	5	5
CAPITAL EQUIPMENT		2	2	2	2	2	2	2	2
SUBTOTAL STATE OPERATIONS	329	389	510	507	423	423	509	425	425
TOTAL EXPENDITURES	329	389	510	507	423	423	509	425	425
AGENCY REQUEST ITEMS:									
			FUND						
RESTRUCTURING			GEN		<84>		<84>		
TOTAL AGENCY REQUEST ITEMS					<84>		<84>		
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	329	389	510	507	423	423	509	425	425
TOTAL FINANCING	329	389	510	507	423	423	509	425	425
FTE BY EMPLOYMENT TYPE:									
REGULAR	5.7	7.9	8.5		7.0			7.0	
TEMP/SEAS/PART_TIME	1.0								
TOTAL FTE	6.7	7.9	8.5		7.0			7.0	

1996-97 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 a financially stable retirement system for police and firefighters throughout the state, accountability for the fiscally prudent management of state and local tax dollars that are contributed to the retirement funds, and compliance with state and federal statutes governing the activities of the relief associations.

The responsibilities of this activity are to:

- Develop and maintain financial reporting systems that will effectively measure compliance with state laws governing maximum benefit levels, establish the normal costs of the pension fund, determine unfunded liabilities or surpluses, and calculate required municipal contributions.
- Review annual schedules of total fund liabilities, audits, financial statements and reports, and actuarial reports for accuracy and completeness. Resolve all discrepancies in reports by working directly with the relief association officers, city officials and/or independent accountants.
- Prepare an annual report to the Legislature on the general financial condition of the 698 volunteer fire relief associations including a summarization of financial and benefit information as required by M.S. 6.72.
- Prepare periodic reports to the Commissioner of Revenue certifying that individual relief associations have met all statutory compliance and reporting standards and are therefore eligible for receipt of various state aid distributions.
- Assist with the annual pension conference sponsored by the Office of the State Auditor. The conference provides information and training for officers and trustees of relief associations on reporting requirements and appropriate management of pension funds.
- Provide technical assistance to all police and fire relief associations on issues relating to reporting requirements, fiduciary responsibilities of officers and trustees, maintenance of complete and accurate by-laws, compliance with federal tax code regulations, and other statutory regulations governing the operations of relief associations.
- Implement an analysis of investment performance for all public pension plans in the state of Minnesota, pursuant to Law of Minnesota, 1994, Chapter 565, Article 2.
- Review financial reports of relief associations for potential irregularities that may indicate theft or willful misappropriation of pension funds. Assist the special investigations activity of the Office of the State Auditor with appropriate investigations.
- Respond to requests for assistance and information from the Legislative Commission on Pensions and Retirement, legislators, executive branch officials, city officials and citizens.

BUDGET ISSUES:

The Police/Fire Relief Oversight activity request consists of an \$82,000 reduction from the current level of spending. This reduction will be achieved through efforts in streamlining management and improvements in the processing of information. The costs of the Police and Fire Relief Oversight

activity are recovered from police and fire state aid pursuant to M.S. 69.021, Subd. 5. Prior to fiscal year 1994, the appropriation for the Office of the State Auditor limited the amount of this recovery of costs to \$72,000 per year. This level of appropriation only allowed for one professional staff person and a one-half time clerical position. Given the large number of police and fire relief associations, the complexities of the laws governing their operations, and the numerous reporting requirements associated with appropriate oversight, it was impossible for one professional staff person to effectively carry out all of our statutory responsibilities for oversight of police and fire relief associations. In 1993, the statutory restriction on the recovery of costs was removed. This allowed the Office to effectively increase its oversight of police and fire pension funds.

PLANNED RESULTS:

- Annually review and update schedules and financial reporting forms used by all police and fire relief associations.
- Annually issue standards for independent auditors to use when conducting their statutorily mandated audits or reviews of relief associations.
- Respond to requests for assistance from over 725 relief associations seeking information, advice and technical assistance on various issues affecting the operations and financial management of the associations.
- Annually review all schedules, reporting forms, by-laws, audits, actuarial reports, attestations and review opinions filed by the over 725 police and fire relief associations.
- Individually assist approximately 500 relief associations to correct discrepancies or inaccuracies in their reporting forms.
- Prepare statutorily mandated reports to the Legislature and the Commissioner of Revenue relative to the compliance of all relief associations with state laws and reporting requirements.
- Actively encourage relief association officers and trustees to attend the annual pension conference sponsored by the Office of the State Auditor.
- Work with the staff of the State Board of Investment to encourage relief associations to invest their funds with the board, thereby taking advantage of the highly professional money management services available through the board.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: POLICE/FIRE RELIEF OVERSIGHT

ACTIVITY SUMMARY	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	61	107	263	263	181	181	263	181	181
EXPENSES/CONTRACTUAL SRVCS	4	14	40	36	36	36	37	37	37
MISC OPERATING EXPENSES	2	7	10	10	10	10	10	10	10
SUPPLIES/MATERIALS/PARTS	3	14	4	4	4	4	4	4	4
CAPITAL EQUIPMENT		11	2	2	2	2	2	2	2
SUBTOTAL STATE OPERATIONS	70	153	319	315	233	233	316	234	234
TOTAL EXPENDITURES	70	153	319	315	233	233	316	234	234
AGENCY REQUEST ITEMS:									
			FUND						
RESTRUCTURING			GEN		<82>			<82>	
TOTAL AGENCY REQUEST ITEMS					<82>			<82>	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	70	152	316	312	230	230	313	231	231
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		1	3	3	3	3	3	3	3
TOTAL FINANCING	70	153	319	315	233	233	316	234	234
FTE BY EMPLOYMENT TYPE:									
REGULAR	1.4	2.3	5.5		4.0			4.0	
TEMP/SEAS/PART_TIME		.1							
TOTAL FTE	1.4	2.4	5.5		4.0			4.0	

1996-97 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 that receive federal funding. These findings include 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:

Through the statewide indirect cost process administered by the Department of Finance, the expenditures for this activity are recovered from state agencies that receive federal funds.

PLANNED RESULTS:

Single audit reports to be reviewed:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Cities	122	125	125	130
Counties	87	87	87	87
HRA's	9	10	10	10
Indian Tribes	12	12	12	12
Libraries	19	19	19	19
Nonprofit Agencies	275	275	280	285
RDC's	10	10	10	10
School/Educational Districts	493	490	490	490
Other	<u>37</u>	<u>40</u>	<u>40</u>	<u>45</u>
Total	1,064	1,068	1,073	1,088

REVENUES:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: SINGLE AUDIT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	67	77	76	76	76	76	76	76	76
MISC OPERATING EXPENSES			1	1	1	1	1	1	1
SUPPLIES/MATERIALS/PARTS	5		1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	72	77	78	78	78	78	78	78	78
TOTAL EXPENDITURES	72	77	78	78	78	78	78	78	78
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	72	77	78	78	78	78	78	78	78
TOTAL FINANCING	72	77	78	78	78	78	78	78	78
FTE BY EMPLOYMENT TYPE:									
REGULAR	1.4	1.5	1.5		1.5			1.5	
TOTAL FTE	1.4	1.5	1.5		1.5			1.5	

1996-97 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 also provides training and instruction of staff regarding technical issues and customer service/client relations. 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. The Constitutional Office supports the Office of the State Auditor's role on the Executive Council, Land Exchange Board, State Board of Investment, State Housing Finance Agency, Public Employees Retirement Board and Board of Government Innovation and Cooperation.

PLANNED RESULTS:

- 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.
- Staff receives quality training in the areas of technical issues and customer service.
- 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 appropriate informational treatises.
- 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.
- 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.

BUDGET ISSUES:

The Constitutional Office activity request consists of an increase of \$18,000 which reflects an adjustment in personnel assigned to this activity. Staff costs have been allocated to be consistent with their duties under the new restructuring plan.

REVENUE:

None.

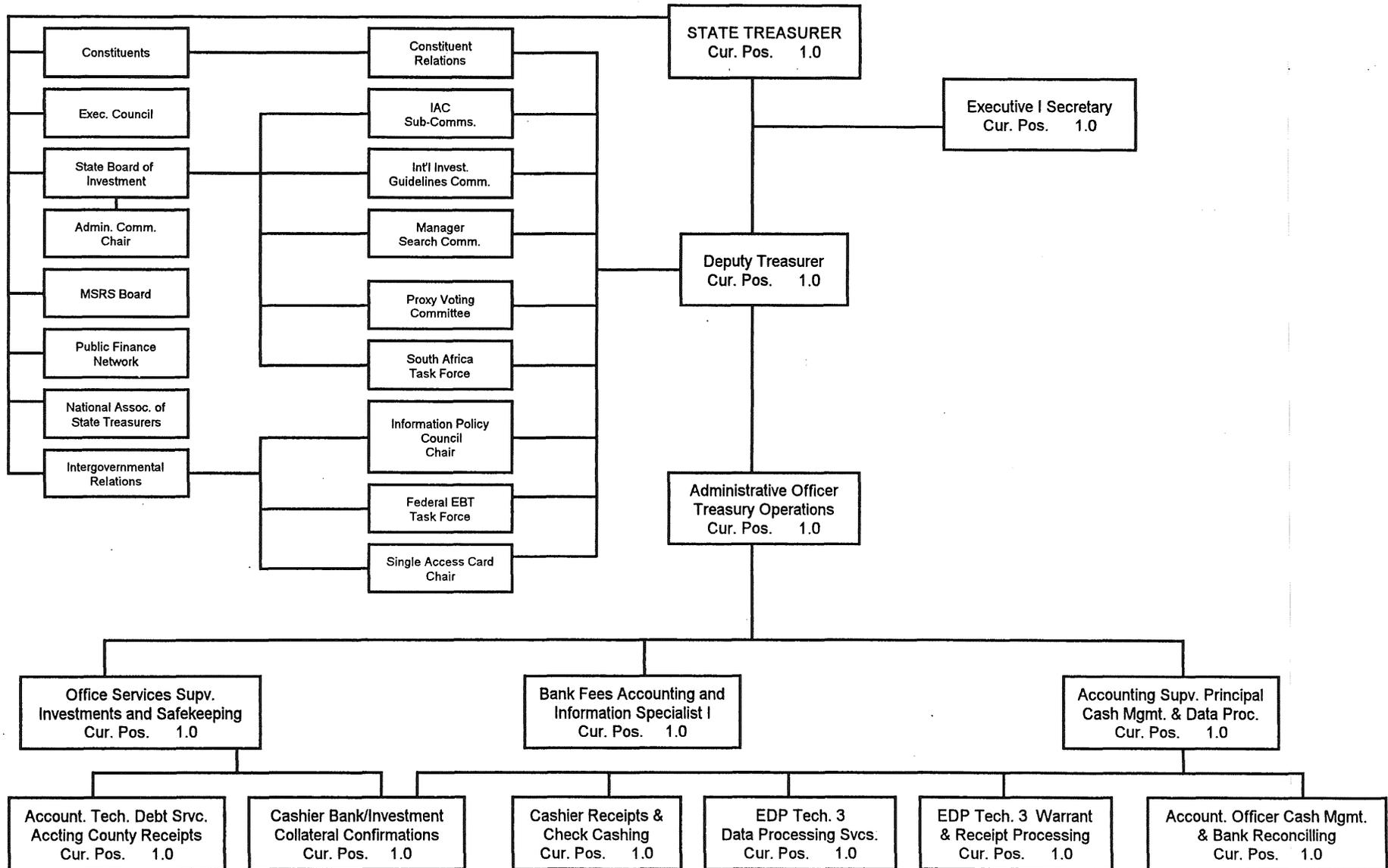
1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: CONSTITUTIONAL OFFICE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	156	216	236	236	254	254	236	254	254
EXPENSES/CONTRACTUAL SRVCS	21	42	23	21	21	21	22	22	22
MISC OPERATING EXPENSES	5	5	9	9	9	9	9	9	9
SUPPLIES/MATERIALS/PARTS	3	3	3	3	3	3	3	3	3
CAPITAL EQUIPMENT	88	2	2	2	2	2	2	2	2
SUBTOTAL STATE OPERATIONS	273	268	273	271	289	289	272	290	290
TOTAL EXPENDITURES	273	268	273	271	289	289	272	290	290
AGENCY REQUEST ITEMS:									
RESTRUCTURING					18			18	
TOTAL AGENCY REQUEST ITEMS					18			18	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	273	268	273	271	289	289	272	290	290
TOTAL FINANCING	273	268	273	271	289	289	272	290	290
FTE BY EMPLOYMENT TYPE:									
REGULAR	2.5	3.1	3.5		4.0			4.0	
TOTAL FTE	2.5	3.1	3.5		4.0			4.0	

Office of the State Treasurer

Organization Chart as of 07/01/94



June 30, 1994 FTE Employees 13

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**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Office of the State Treasurer

Fund: General Direct Appropriations

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$3,006	\$3,006	\$6,012
<u>BASE ADJUSTMENT:</u>			
Appropriations carried forward	(530)	(530)	(1,060)
Documented rent/lease inc/dec	<u>1</u>	<u>2</u>	<u>3</u>
<u>CURRENT SPENDING</u>	\$2,477	\$2,478	\$4,955
<u>AGENCY REQUEST</u>	\$2,477	\$2,478	\$4,955
GOVERNOR'S RECOMMENDATIONS	\$2,477	\$2,478	\$4,955

Brief Explanation of Agency Request:

The plan calls for no increases in funding or complement. 65% of the Treasurer's appropriation each year is obligated to pay bank fees and another 32% is for non-discretionary expenditures such as salaries, maintenance contracts, rent, computer reprogramming for the new SWA system (GFS), etc.

Revenue Summary:

None.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the State Treasurer to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

1996-97 Biennial Budget

AGENCY: State Treasurer, Office of

AGENCY DESCRIPTION:

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 and, by Governor's appointment, the Minnesota State Retirement System Board of Directors.

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 (President-elect); 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.

AGENCY CHALLENGES:

The following factors are shaping the direction of policies and activities of the State Treasurer's Office.

- **Electronic Collection of Agency Receipts.** Demands by the public and businesses are requiring agencies to accept payments using methods other than checks. These methods include credit cards and ACH Debits and Credits. The Treasurer's Office will be able to respond to these requests by assisting agencies in developing procedures and the technology to accommodate these demands.
- **Electronic Payments to Businesses and General Public.** Just as in collecting payments electronically, the state is being asked to issue payments electronically rather than by issuing state warrants. For example, many vendors offer significant on-going discounts if they can debit a state account for periodic payments rather than sending out billing statements and processing payments by warrants. The Treasurer's Cash Management System, Funds Transmission Systems and Verification Systems must be able to accommodate these requests without compromising security of state funds.
- **Expansion of Electronic Benefits Transfers (EBT) for the Department of Human Services (DHS) statewide.** The Treasurer's Office is a very active participant in the development of EBT for DHS clients statewide. The Deputy Treasurer is the Minnesota state representative to the Federal EBT Task Force; funds transfers must be coordinated with the U.S. Treasury and the Federal Reserve. These payments include cash, food stamps, AFDC, and General Assistance. This method is safer and cheaper for clients; less overhead and more efficient for DHS with less fraud. The Treasurer's Office staff must work closely with the financial community and DHS to resolve the many obstacles involved.
- **Deposit Reporting (Deputy Registrars).** Half of the current paper reporting systems was replaced by an electronic one with the Treasurer's new information system. However, agencies not on the state network, such as 160 deputy registrars, must still use paper via the U.S. mail. Our challenge will be to develop an electronic alternative, which is currently being discussed. The effect of this alternative is that it is less costly and increases earnings on state funds invested.

1996-97 Biennial Budget

AGENCY: State Treasurer, Office of
(Continuation)

- **Electronic Data Interchange (EDI).** Treasurer and Finance initiated the formation of an EDI Steering Committee more than 3 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.
- **State Debt/Bonds (Paying and Budgeting Principal and Interest).** Before 1992, the entire debt portfolio and many of the computations regarding state debt payments were performed on a large mainframe computer at the University of Minnesota. Data was re-entered into PC's at the Treasurer's Office and at Finance. The entire short-term and long-term debt portfolio is now maintained on the Treasurer's information system, which performs these calculations. Finance is now on-line to our system. The challenge will be to map the Treasurer's system to the new G.F.S. (SA) system, which was not designed for debt maintenance. This will require extensive programming of the Treasurer's system.
- **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.
- **Electronic Audit Trails (Proposed).** Current practice requires Treasurer to maintain cabinets of paper for audit purposes. New systems are being designed to allow for safe, dependable electronic storage and may allow extensive auditing off-site. Currently, auditors spend approximately 3 months each year on-site. We would hope to share this technology with other agencies when approved.
- **Citizen Access to Information.** We anticipate continued pressure to public information readily available to the public. We are developing methods of placing such information on the internet via "gopher" serves and other electronic means. Examples are the annual Treasurer's Credit Card Report and the annual Treasurer's Financial Report.

AGENCY STRATEGIES:

The agency's budget plan is constructed to achieve the following outcomes:

- To accomplish the operational responsibilities and objectives of the office as described under AGENCY DESCRIPTION above.
- To promote and assist agencies in utilizing available technology in the collection of state monies.
- To expand the use by agencies of electronic payments systems rather than paper and checks.

- To reduce banking costs by consolidating more bank accounts and reducing paper transactions such as checks, return items, deposit errors, reports, etc.

REVENUE SUMMARY:

None.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the State Treasurer to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE TREASURER
PROGRAM: STATE TREASURER
ACTIVITY: STATE TREASURER

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	579	589	612	612	612	612	612	612	612
EXPENSES/CONTRACTUAL SRVCS	668	1,262	2,286	1,787	1,787	1,787	1,788	1,788	1,788
MISC OPERATING EXPENSES	36	39	31	31	31	31	31	31	31
SUPPLIES/MATERIALS/PARTS	26	35	35	25	25	25	25	25	25
CAPITAL EQUIPMENT	213	62	96	76	76	76	76	76	76
SUBTOTAL STATE OPERATIONS	1,522	1,987	3,060	2,531	2,531	2,531	2,532	2,532	2,532
AIDS TO INDIVIDUALS	15	29							
TOTAL EXPENDITURES	1,537	2,016	3,060	2,531	2,531	2,531	2,532	2,532	2,532
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,218	1,933	3,006	2,477	2,477	2,477	2,478	2,478	2,478
OPEN APPROPRIATIONS:									
GENERAL	15	29							
AGENCY	304	54	54	54	54	54	54	54	54
TOTAL FINANCING	1,537	2,016	3,060	2,531	2,531	2,531	2,532	2,532	2,532
FTE BY EMPLOYMENT TYPE:									
REGULAR	12.7	13.0	13.0		13.0			13.0	
OVERTIME	.3								
TOTAL FTE	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. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	3,060	3,060	3,006	3,006	54	54		
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<530>	<530>	<530>	<530>				
DOCUMENTED RENT/LEASE INC/DEC	1	2	1	2				
SUBTOTAL BASE ADJ.	<529>	<528>	<529>	<528>				
CURRENT SPENDING	2,531	2,532	2,477	2,478	54	54		

1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: ATTORNEY GENERAL, OFFICE OF

PROGRAM

GOVERNMENT SERVICES

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PUBLIC AND HUMAN RESOURCES

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LAW ENFORCEMENT

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LEGAL POLICY AND ADMINISTRATION

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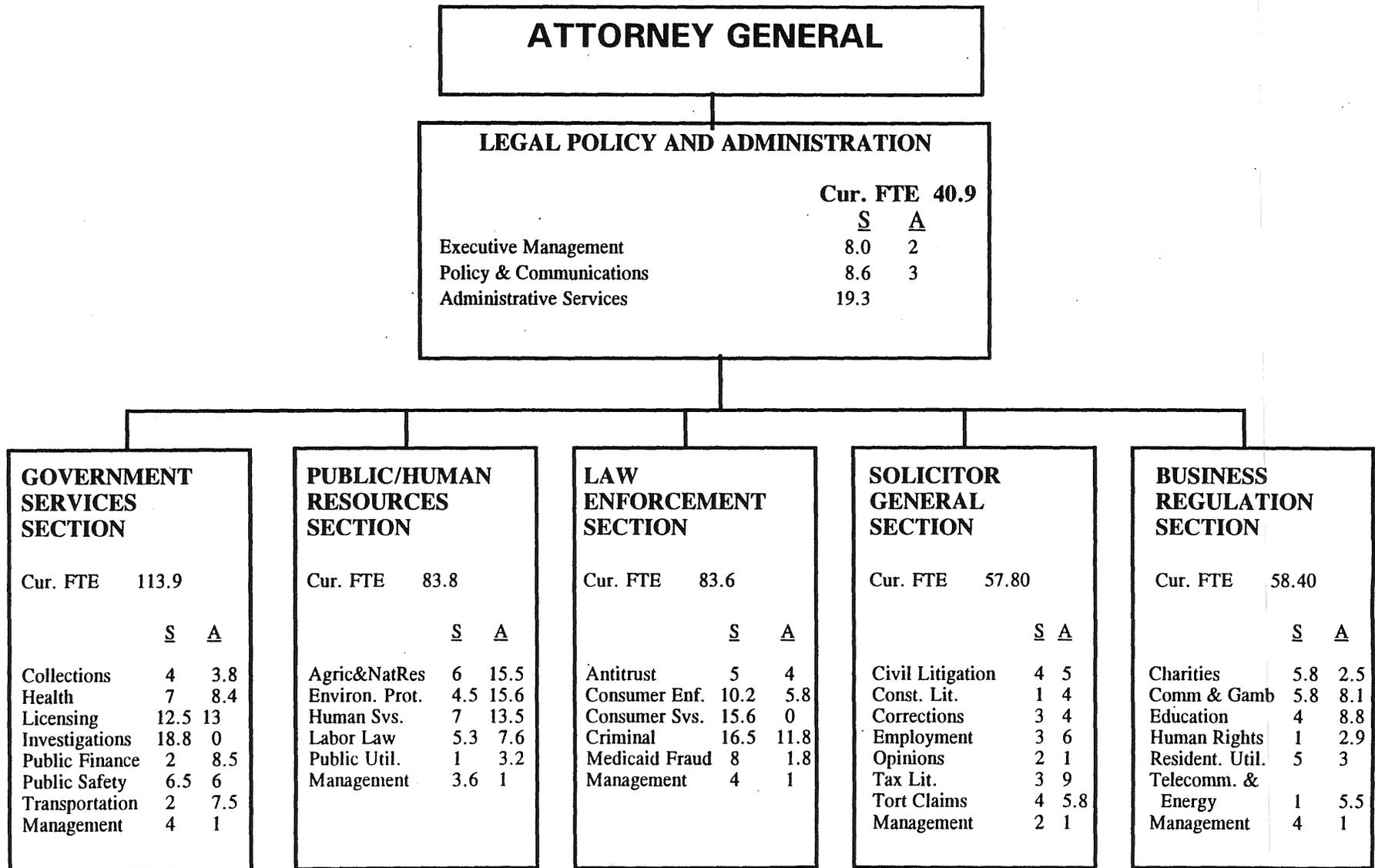
BUSINESS REGULATION

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SOLICITOR GENERAL

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Minnesota Attorney General's Office Organization Chart



S = Staff Other Than Attorneys
A = Attorney

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Attorney General, Office of (AGO)

Fund: General

Brief Explanation of Agency Request:

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$21,675	\$21,675	\$43,350
<u>BASE ADJUSTMENT:</u>			
One-Time Appropriations	(430)	(430)	(860)
Appropriations Carried Forward	(662)	(662)	(1,324)
Base Transfer (Between Agencies)	(381)	(381)	(762)
Documented Rent/Lease Inc/Dec	166	255	421
Attorney General Costs	<u>(279)</u>	<u>(279)</u>	<u>(558)</u>
<u>CURRENT SPENDING</u>	\$20,089	\$20,178	\$40,267
<u>AGENCY REQUEST ITEMS:</u>			
Establishing A Salary Structure	1,800	1,800	3,600
Administrative Services Support	190	190	380
Enhancing Information Systems	2,762	509	3,271
Consumer Education & Outreach	<u>70</u>	<u>70</u>	<u>140</u>
<u>AGENCY REQUEST</u>	\$24,911	\$22,747	\$47,658
<u>GOVERNOR'S INITIATIVES:</u>			
	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATIONS	\$20,089	\$20,178	\$40,267

The Attorney General is committed to providing capable and responsive legal services within reasonable budgetary constraints. We are constantly working to find more efficient ways to meet the needs of our various constituencies, so that the programs supported by our services can remain active and effective in attaining legislative and programmatic objectives. The budget initiatives we propose for F.Y. 1996-97 will assist us in meeting the growing needs for our services in many complex and changing areas of the law.

Revenue Summary:

Under the new system for funding legal services, which takes effect on 7-1-95, the Attorney General will not bill agencies directly for the legal services provided and will not report the resulting General Fund revenue the AGO has reported in the past. The Department of Finance will coordinate the reimbursement required from other funds to the General Fund. The AGO will continue to report other revenue, such as settlements and civil penalties.

Affected Statutes:

- None.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Attorney General, Office of (AGO)

Fund: State Gov Spec Revenue

Brief Explanation of Agency Request:

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$2,423	\$2,423	\$4,846
<u>BASE ADJUSTMENT:</u>			
Appropriations Carried Forward	(30)	(30)	(60)
LAC Appropriations	(316)	(316)	(632)
Documented Rent/Lease Inc/Dec	1	3	4
Attorney General Costs	<u>(924)</u>	<u>(924)</u>	<u>(1,848)</u>
<u>CURRENT SPENDING</u>	\$1,154	\$1,156	\$2,310
<u>AGENCY REQUEST ITEMS:</u>			
Health Board Services	474	474	948
<u>AGENCY REQUEST</u>	\$1,628	\$1,630	\$3,258
<u>GOVERNOR'S INITIATIVES:</u>			
	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATIONS	\$1,628	\$1,630	\$3,258

The Attorney General serves 13 health licensing boards by assisting them in processing and investigating complaints by members of the public against professionals licensed by the boards. When discipline of a practitioner is warranted, our expertise helps to protect the public's safety and well-being from further harm; when a complaint is unfounded, a thorough and responsive investigation ensures that the practitioner's reputation is protected from unnecessary damage. It is crucial for the boards to be able to send the signal that they will carry out their important monitoring and enforcement duties swiftly and surely. A growing caseload of investigations and contested cases is testing the ability of the boards and the AGO to send this signal consistently.

In September 1994, the Legislative Advisory Commission (LAC) approved an increase of \$316,000 for additional services to the health boards in F.Y. 1995. This increase was supported by the health boards expecting to receive the much-needed assistance and was funded by fee increases. For F.Y. 1996-97, the AGO requests annualization of the amount approved by the LAC so that our enhanced efforts may continue beyond June of 1995.

Under the new system for funding legal services, the Board of Medical Practice will be requesting approximately \$1 million per year for AGO services during F.Y. 1996-97. The board will transfer these funds to the AGO during the biennium.

Revenue Summary:

The health boards charge fees to the practitioners they license; these fees cover the costs of the services provided to the boards by the AGO.

Affected Statutes:

- None.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. In the case of the Health Board Legal Services funding of \$316,000 was approved by the LAC in September of 1994 for F.Y. 1995. The Governor recommends the biennial amount of \$948,000, which represents an annualized amount, so that the effort may continue into the next biennium.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Attorney General, Office of (AGO)

Fund: Environmental

Brief Explanation of Agency Plan:

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$116	\$116	\$232
<u>BASE ADJUSTMENT:</u>			
None.			
<u>CURRENT SPENDING</u>	\$116	\$116	\$232
<u>AGENCY DECISION ITEMS:</u>			
None.			
<u>AGENCY PLAN</u>	\$116	\$116	\$232
<u>GOVERNOR'S INITIATIVES:</u>			
	\$-0-	\$-0-	\$-0-
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$116	\$116	\$116

In carrying out the Attorney General's responsibilities for investigating and prosecuting environmental crime, the Law Enforcement Section has entered into memoranda of understanding with interested state agencies, including the Pollution Control Agency, the Department of Transportation and the Department of Natural Resources. In this way we can direct public resources to the areas in which our cooperative efforts can achieve our most important shared objectives.

Revenue Summary:

Not applicable.

Affected Statutes:

■ None.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Attorney General, Office of (AGO)

Fund: Landfill Cleanup

Brief Explanation of Agency Plan:

Summary of Agency Actions:

The 1994 Legislature gave the Attorney General the responsibility to pursue assigned insurance claims in order to recover landfill cleanup costs for the state. In addition, the AGO was directed to evaluate the voluntary insurance buy-out program thoroughly in preparation for a report to the legislature. (Laws 1994, Ch. 639, Art. 2). Funding for both of these duties will be necessary during the F.Y. 1996-97 biennium.

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$150	\$150	\$300
<u>BASE ADJUSTMENT:</u>			
Special Legis. Adjustment	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>
<u>CURRENT SPENDING</u>	\$75	\$75	\$150
<u>AGENCY DECISION ITEMS:</u>			
(None)			
<u>AGENCY PLAN</u>	\$75	\$75	\$150
<u>GOVERNOR'S INITIATIVES:</u>			
	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATIONS	\$75	\$75	\$150

Revenue Summary:

Not applicable.

Affected Statutes:

■ None.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration.

1996-97 Biennial Budget

AGENCY: Attorney General, Office of (AGO)

AGENCY DESCRIPTION:

The mission of the Attorney General's Office (AGO) 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 the following major respects:

1. Day-to-day legal advice and opinions involving statutory interpretation, potential liabilities, legal authority for proposed agency actions, federal law requirements and possible alternative courses of action; and
2. Representation in all adversarial proceedings including lawsuits, rulemaking hearings, contested case hearings, rate hearings, disciplinary conferences, state and federal litigation and collection activities.

The Attorney General also provides substantial legal advice and assistance to the legislature, the judiciary and local officials such as county attorneys and sheriffs in their efforts to enforce the laws of this state.

By virtue of holding a statewide elective office, the Attorney General also acts as a statewide policy leader. The public expects him to speak with authority and influence on major questions involving systems of law and justice. He participates in shaping the legislative agenda with 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.

AGENCY CHALLENGES:

As a public agency, the AGO experiences some of the same challenges that affect executive branch agencies. For instance, we must manage:

- **constrained resources** - by the prudent and thoughtful allocation of the monies entrusted to us, we strive to meet the pressing needs of Minnesota citizens and the agencies created to serve them;
- **complex issues** - state government is becoming increasingly complex. We must work with agencies to navigate complicated and changing program priorities and federal and state regulations in order to attain the policy and enforcement goals we share; and
- **unpredictable workload** - change is, indeed, the only constant. While we do our best to plan and budget thoughtfully for each biennium, we can be sure—as can every agency—that these plans will likely have to change in the face of new and unexpected developments.

However, as a large public law firm, the AGO faces unique challenges. The Department of Corrections copes with a burgeoning prison population; the Transportation Regulation Board monitors federal action on trucking regulation; the Department of Natural Resources addresses Indian peoples' growing assertion of their hunting and fishing rights; and the Department of Health manages the incidence of the HIV and Hepatitis-B viruses among health-care workers. The Attorney General, however, must know about *all* these events and efforts in order to serve the agencies capably. We must stay current with changes in every aspect of Minnesota's economy, environment, government, educational system and society if we are to carry out our duties effectively.

Even as these changes take place in the world outside state agencies, the agencies are changing, too. One of the major agents of this change is the legislature, which seeks to direct agencies' efforts to accomplish legislative objectives effectively on behalf of Minnesota citizens. However, this process has an enormous impact on the Attorney General's Office. While decisions about the funding level of the AGO are made in a single committee in the Minnesota House and Senate, numerous other committees are making program, enforcement or regulatory decisions that frequently expand an agency's need for legal services.

Finally, the services furnished by each of the office's 32 divisions are essential to the functioning of agency programs and services. Therefore, a decision by the AGO to reduce staff in a division usually requires that division to stop performing services which client agencies believe must continue to be provided. Consequently, when faced with proposed cuts, agencies typically 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 AGO to continue to perform the service with supplemental funding by the agency. Thus, the net effect is rarely a statewide saving of costs.

In these ways and others, the Attorney General is in a unique position: one of great privilege but also of great responsibility.

AGENCY STRATEGIES:

We strive to improve the regulatory programs administered by the state agencies we represent. We continuously assess and improve our enforcement efforts, encourage the development of clear legal standards and seek to increase public awareness and involvement with important issues facing the state. 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 F.Y. 1996-97 will depend upon the new initiatives and allocation of funds enacted in the 1995 legislative session. However, we will adhere to 3 key principles in focusing our efforts:

- to remain in close contact with the agencies and our other constituencies in order to assure that our efforts support and enhance their priorities;
- to retain the strong, independent role of the Attorney General as legal counsel for the agencies; and
- to continually look for ways to improve our effectiveness in order to manage our ever-increasing workload capably and responsibly.

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.

1996-97 Biennial Budget

AGENCY: Attorney General, Office of (AGO)
(Continuation)

- Information Systems Enhancement; and
- Consumer Education and Outreach.

Described in detail below, these initiatives will greatly assist the AGO in carrying out its significant responsibilities in the years to come.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any General Fund requests in excess of current spending levels from unallocated balances in the General Fund.

Because the demand for legal services outstrips our directly appropriated budget, we continue 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 client agencies 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 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).

REVENUE SUMMARY:

The programs of this office generate dedicated and non-dedicated revenue.

Type:	<u>Dollars in Thousands</u>				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Non-dedicated - General	\$5,889	\$5,088	\$5,088	\$627	\$627
Dedicated General	1	0	1	0	1
Dedicated - Special	40	48	38	38	38
Dedicated - Federal	619	903	570	900	600
Dedicated - Agency	412	517	517	517	517
Dedicated - Gifts	<u>66</u>	<u>67</u>	<u>2</u>	<u>0</u>	<u>0</u>
Total	\$7,027	\$6,623	\$6,216	\$2,082	\$1,783

SUMMARY OF BUDGET REQUEST:

The 1994 legislature created a new system for funding legal services provided by the AGO. The system is designed to encourage greater accountability among the users and providers of these services and to simplify current billing and funding procedures. It will also allow agencies to illustrate to the legislature the important link between the availability of capable legal services and the successful accomplishment of the agencies' programmatic goals.

For the F.Y. 1996-97 biennium, the following partner agencies' budget requests will include funding for AGO services: Board of Medical Practice, Finance, Health, Housing Finance, Human Services, Natural Resources, Pollution Control and Transportation. We look forward to working with these agencies through the next biennium to advance our common goals more effectively than ever before.

And finally, in addition to the base budget request, the attorney general has developed 4 budget initiatives:

- Establishing a Salary Structure;
- Administrative Services Support;

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL

PROGRAM RESOURCE ALLOCATION:	Est.			FY 1996			FY 1997		
	FY 1993	FY 1994	FY 1995	Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
GOVERNMENT SERVICES	4,510	4,762	5,302	3,884	4,358	4,358	3,897	4,371	4,371
PUBLIC AND HUMAN RESOURCES	4,050	4,466	4,201	3,316	3,316	3,316	3,335	3,335	3,335
LAW ENFORCEMENT	4,701	4,514	5,307	4,733	4,803	4,733	4,752	4,822	4,752
LEGAL POLICY AND ADMINISTRATION	3,196	3,242	3,621	3,262	8,014	3,262	3,262	5,761	3,262
BUSINESS REGULATION	4,458	4,095	3,680	3,510	3,510	3,510	3,529	3,529	3,529
SOLICITOR GENERAL	2,188	2,276	3,505	3,405	3,405	3,405	3,426	3,426	3,426
TOTAL EXPENDITURES BY PROGRAM	23,103	23,355	25,616	22,110	27,406	22,584	22,201	25,244	22,675
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	19,995	20,004	21,675	20,089	24,911	20,089	20,178	22,747	20,178
STATE GOVT SPEC REV	1,442	2,042	2,423	1,154	1,628	1,628	1,156	1,630	1,630
ENVIRONMENTAL	123	115	116	116	116	116	116	116	116
LANDFILL CLEANUP			150	75	75	75	75	75	75
STATUTORY APPROPRIATIONS:									
GENERAL	11								
SPECIAL REVENUE	194	227	209	8	8	8	8	8	8
FEDERAL	611	803	756	640	640	640	640	640	640
AGENCY	650	106	262	26	26	26	26	26	26
GIFTS AND DEPOSITS	77	58	25	2	2	2	2	2	2
TOTAL FINANCING	23,103	23,355	25,616	22,110	27,406	22,584	22,201	25,244	22,675
FTE BY EMPLOYMENT TYPE:									
REGULAR	343.6	351.9	369.2		430.4			430.4	
TEMP/SEAS/PART_TIME	10.9	14.5	21.1		22.5			22.5	
OVERTIME	.7	.4	.4		.4			.4	
TOTAL FTE	355.2	366.8	390.7		453.3			453.3	

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.96	F.Y.97	F.Y.96	F.Y.97	F.Y.96	F.Y.97	F.Y.96	F.Y.97
F.Y.95 FUNDING LEVEL	25,610	25,610	21,675	21,675	3,179	3,179	756	756
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<430>	<430>	<430>	<430>				
APPROPRIATIONS CARRIED FWD	<1,084>	<1,084>	<662>	<662>	<306>	<306>	<116>	<116>
LAC APPROPRIATIONS	<316>	<316>			<316>	<316>		
BASE TRANSFER (BTWN AGENCIES)	<559>	<559>	<381>	<381>	<178>	<178>		
DOCUMENTED RENT/LEASE INC/DEC	167	258	166	255	1	3		
SPECIAL LEGIS. ADJUSTMENTS	<75>	<75>			<75>	<75>		
ATTORNEY GENERAL COSTS	<1,203>	<1,203>	<279>	<279>	<924>	<924>		
SUBTOTAL BASE ADJ.	<3,500>	<3,409>	<1,586>	<1,497>	<1,798>	<1,796>	<116>	<116>
CURRENT SPENDING	22,110	22,201	20,089	20,178	1,381	1,383	640	640

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1996-97 Biennial Budget

PROGRAM: Government Services
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The Government Services Section represents the agencies responsible for serving the state in its capacity as:

- landowner;
- builder of roads and buildings;
- protector of safety on our highways;
- collector of accounts receivable; and
- consumer of goods and materials.

Seven divisions in this section carry out this work: Collections Litigation, Health, Licensing and Investigations, Public Finance, Public Safety and Transportation.

Certain objectives are shared by the divisions in the Government Services Section. 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 serve the public and fulfill their statutory obligations properly and efficiently; and
 - assist in the development of rules to maximize clarity and prevent future legal disputes.
- **Collections Litigation** - Unpaid bills and debts owed to the state are borne by all taxpayers, diverting revenue from needed public services. To improve the management and collection of accounts receivable owed to the state, this new AGO division was established as part of the 1994-95 Statewide Accounts Receivable Initiative. This division is responsible for litigating, enforcing and securing the collection of debts owed to the state and otherwise protecting the state's rights as a creditor. The division also provides expertise on bankruptcy issues to a variety of state agencies and boards.
- **Health** - Health-care reform has been the major health issue confronting the state over the last 2 years. This division has participated in the state's efforts to reshape the health-care economy and provide coverage to underinsured Minnesotans. The division represents the Department of Health in other areas as well, to assist the department in fulfilling its public health leadership role. For example, we:
- provide legal counsel for MinnesotaCare, advising on constitutional, antitrust, Employee Retirement Income Security Act (ERISA), data practices and other complex legal issues and assisting in the defense of litigation challenging various aspects of MinnesotaCare;
 - assist in the implementation of recent legislation designed to streamline and facilitate the effective enforcement of environmental regulatory programs governing food and lodging establishments, asbestos and lead abatement, public water supply protection, etc.;
 - enforce sanctions against nursing homes and other health-care facility providers and staff for actions jeopardizing the health and safety of residents and patients;
 - advise on issues involving contagious and communicable diseases such as AIDS, tuberculosis, Hepatitis B and food-borne illnesses; and

- assist in public health education efforts, such as the department's effective anti-smoking campaigns.

- **Licensing and Investigations** - Members of the public entrust their health and welfare to a variety of licensed professionals. Unfortunately, some of those professionals violate that trust by providing substandard services, engaging in sexual contact with clients, billing clients fraudulently, providing services while under the influence of drugs or alcohol or endangering clients because of the licensee's untreated mental illness. These divisions assist 13 health and 4 non-health licensing boards to protect the public from services that place them at risk. The **Licensing Division** is the legal arm of this effort and is staffed with attorneys, legal assistants and support personnel. The **Investigations Division** provides the boards with all needed investigative services and includes investigators with experience in nursing, pharmacy, social work, dentistry, psychology and other disciplines. To protect the public, these divisions:

- immediately investigate complaints about licensee sexual misconduct or chemical dependency;
- audit medical charts to determine quality of care;
- advise licensing boards in their complaint resolution process;
- prosecute disciplinary cases and represent boards in the appellate courts; and
- pursue remedies in district court against those who engage in unlicensed practice.

- **Public Finance** - This division assists with the nuts and bolts of operating state government. It provides day-to-day representation to the accountants, real estate managers 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 numerous other state boards and agencies that deal with finance and contract matters, including the Department of Trade and Economic Development, the Housing Finance Agency (HFA), the Iron Range Resources & Rehabilitation Board (IRRRB), and others. In addition, we represent the HFA in its many projects designed to provide affordable housing for Minnesotans and assist the Ethical Practices Board in carrying out its government oversight role.

- **Public Safety** - This division improves public safety through litigation, counseling and training to help ensure that:

- drunk and unsafe drivers lose their licenses;
- crime victims are justly compensated and criminal records are expunged appropriately;
- motor vehicle dealers lose their licenses when operating illegally and penalties are assessed for overweight truck violations;
- disaster victims receive immediate and appropriate assistance; and
- peace officers receive needed training.

The division supports the work of the Department of Public Safety in all its programs, including the State Patrol, Bureau of Criminal Apprehension, Office of Drug Policy, Driver and Vehicle Services, Emergency Management, and others.

- **Transportation** - Minnesota has a very complex transportation system, including thousands of miles of federal, state and local roads as well as waterways, railroads, ports, bridges, airports and public transit services. This integrated system must meet the state's changing economic and environmental needs while using public resources responsibly. This division assists the Minnesota Department of Transportation (MnDOT) in achieving this goal.

1996-97 Biennial Budget

PROGRAM: Government Services
AGENCY: Attorney General, Office of (AGO)
(Continuation)

MnDOT's programs require the acquisition of hundreds of parcels of land each year. Division attorneys represent MnDOT in proceedings to determine the just compensation due landowners whose real estate is taken for highway purposes. We also assist MnDOT in complying with environmental rules pertaining to these highway projects. In addition, the division enforces regulations dealing with intrastate trucking safety, railroad development and public airport operations and advises MnDOT on prevailing wage law enforcement, state aid distribution to counties and towns, land use zoning and many other matters.

PROGRAM STATUS:

The agencies served by the Government Services Section are experiencing steady increases in their workloads and face issues of greater complexity each biennium. Therefore, each AGO division feels a constant pressure to achieve its objectives more efficiently within current budgetary constraints. Some significant accomplishments and noteworthy trends are described below.

- **Collections Litigation** - This division works closely with the Department of Finance, the new statewide collection entity located at the Department of Revenue and other state agencies to collect overdue amounts owed to the state. The division collected over \$300,000 in its first year, F.Y. 1994, and \$245,000 in the first quarter of F.Y. 1995.
- **Health** - Services to the Department of Health include extensive research, advice and representation in litigation related to MinnesotaCare and health-care reform. Other litigation includes administrative law proceedings as well as district court actions. In F.Y. 1994, the division handled many diverse contested cases, including:
 - taking action against nursing homes, supervised living facilities and home care providers for failing to meet minimum resident care standards;
 - enforcing the noncompliant carrier law to require people infected with a contagious disease such as tuberculosis to obtain treatment;
 - protecting the public and private water supplies of the state;
 - defending appeals by nurse aides of findings that they abused or neglected the elderly citizens in their care;
 - prosecuting administrative penalty orders imposing fines against asbestos contractors, operators of x-ray machines, food and lodging establishments, etc; and
 - handling determinations and agreements regarding HIV- or Hepatitis B-infected health-care workers to ensure that they do not place patients at risk.
- **Licensing and Investigations** - Staff in these divisions helped resolve more than 2,000 cases for the licensing boards in F.Y. 1994. Approximately 400 cases involved complex investigations by a staff that includes 9 health professionals. With the assistance of the divisions, the boards issued some 419 disciplinary orders or corrective actions. In addition, the Licensing Division defended against district court actions attempting to thwart the licensing investigative process.
- **Public Finance** - Some of this division's most critical work is preventative in nature. Well-written and properly executed contracts produce less litigation and ensure that the state re-

ceives the best product or service available at a fair price and with minimal administrative problems. In F.Y. 1993-94, the division reviewed several thousand contracts, intellectual property license agreements, leases, requests for proposals and other transactions involving hundreds of millions of dollars for numerous state agencies. Only 3 lawsuits over contract or lease issues were received during that period. Division staff also helped the state issue over \$600 million in general obligation bonds and over \$750 million in revenue bonds.

- **Public Safety** - In F.Y. 1994, we handled over 2,200 implied consent cases (drunk driver license revocations) in district courts and prevailed in the vast majority of these. Division staff members used satellite technology to train peace officers throughout Minnesota in DWI and traffic laws. The division also handled significant appellate litigation in revocation cases challenging trial court decisions. For example:
 - the 1993 DWI legislation was upheld against constitutional due process challenges in the *Davis* case;
 - nearly 200 appeals were handled in F.Y. 1994 (approximately 150 of which involved the *Davis* issue);
 - sobriety checkpoints were challenged and found to be in violation of the Minnesota Constitution; and
 - the Minnesota Supreme Court ruled that drunk drivers are not entitled to court-appointed counsel or privacy during pre-testing consultations with counsel.

As a result of administrative hearings, the Crime Victims Reparations Board estimates that the public safety division saved the board approximately \$30,000 from January through June 1994: money freed up for legitimate crime victim claims.

- **Transportation** - In its eminent domain work in 1 year, the division reduced by over one-half damage claims exceeding \$53 million. Timely and effective administration of these cases has allowed MnDOT's construction program to proceed as planned without delays and with full federal financial participation. Additionally, the highway projects that have been judicially tested in the past several years have all been found to be in full compliance with a variety of environmental requirements and were kept on schedule.

PLANNED RESULTS:

The Government Services Section is committed to providing capable, professional legal services to the many diverse agencies and boards who depend on the AGO. During F.Y. 1996-97, we will seek ways to maintain the high quality of our services while using public monies effectively. Current budgetary constraints do, however, limit our ability to do all that we would like to do.

- **Collections Litigation** - In order to maximize the state's recovery of overdue accounts, we will:
 - enforce, litigate and secure the collection of monies owed to state agencies and the state;
 - provide timely legal and litigation support to the Department of Finance, the statewide collections entity and other state agencies on collection matters. The sooner debts are pursued, the higher the collection rate will be;
 - consolidate and handle bankruptcy and related legal work to better protect the state's rights as a creditor;
 - review, assist and train state agencies in effective accounting techniques to minimize the need for additional collection efforts; and
 - review legislation to ensure that the state has necessary collection tools available to it.

1996-97 Biennial Budget

PROGRAM: Government Services
AGENCY: Attorney General, Office of (AGO)
 (Continuation)

- **Health** - The objective of this division in F.Y. 1996-97 is to provide legal services to the Department of Health to:
 - assure that all regulatory efforts regarding the state's health-care resources and systems result in the provision of safe and effective health-care services;
 - facilitate the department's assistance to and oversight of the state's health delivery systems; and
 - assist in the efficient and timely implementation of the state's health-care reform program as provided for in the MinnesotaCare legislation.

- **Licensing and Investigations** - Speedy resolution of complaints furthers the interests of the public and licensees. In the past, the divisions' staffing levels did not keep pace with the increased number and complexity of complaints referred by the licensing boards, especially the Boards of Medical Practice, Nursing and Social Work. During F.Y. 1994-95, the divisions have added staff to decrease the length of time between receipt and resolution of a complaint. Investigation time has decreased from 18 months to 12. In F.Y. 1996-97, we plan to:
 - reduce investigation time to 6 months;
 - resolve within 12 months 90% of the cases requiring investigation. Cases in litigation may take longer to resolve; and
 - resolve complaints in less than 6 months when no investigation is required.

- **Public Finance** - Specific objectives of this division for F.Y. 1996-97 are to:
 - maximize the value and protection obtained by the state in such contracting areas as specifications, quality assurance and warranties;
 - assist in drafting and negotiating complex professional, technical services and commodity contracts for a variety of state agencies;
 - assist in debt and lease-purchase transactions, which permit state agencies to stretch their budgets; and
 - assist in the issuance of public debt for such purposes as low- or moderate-income housing, waste water treatment and economic development loans to small businesses and communities.

- **Public Safety** - The success of this division is measured not only in the number of driver licenses revoked, but also in the reduction of highway deaths and injuries. Minnesota now has one of the leading records in the nation in the reduction of drunk driving. Our objectives are to continue to:
 - remove drunk drivers from Minnesota roads through vigorous enforcement of the implied consent and license plate impoundment laws;
 - educate law enforcement agencies, prosecutors, judges and defense attorneys in the law governing DWI arrests and license revocations;

- enforce laws relating to motor vehicle dealers, liquor regulation, overweight trucks and other safety provisions; and
- support the Department of Public Safety in its broad mission by providing sound legal advice in a timely and effective manner.

Litigation demands remain the top priority of this division for F.Y. 1996-97. Legal advice and educational efforts are proactive, preventative measures that will receive as much attention as possible after litigation demands are met.

- **Transportation** - This division's goals for F.Y. 1996-97 are to:
 - continue to provide timely, efficient, effective and fiscally responsible services in the acquisition of real estate for MnDOT and other governmental entities;
 - represent and advised MnDOT in public interest regulation and financial support of various modes of transportation including public transit, railroads, motor carriers, aviation and river barges; and
 - expand our training and guidance to other transportation professionals both within and outside of MnDOT.

BUDGET AND REVENUE SUMMARY:

The Government Services Section provides most of the services utilized by 5 of the partner agencies: Board of Medical Practice, Finance, Health, Housing Finance and Transportation. These agencies' F.Y. 1996-97 budget requests will include funding for AGO services.

The Licensing and Investigations Divisions perform vital services for the health licensing boards. The annualization of the funding approved by the Legislative Advisory Commission (LAC) in September 1994 will support these efforts.

REVENUE: This program generates non-dedicated revenue.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated - Gen'l	\$1,200	\$1,200	\$1,200	\$-0-	\$-0-

This program also saves millions of dollars in landowner damage claims each year.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and judicial offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. In the case of the Health Board Legal Services funding of \$316,000 was approved by the LAC in September of 1994 for F.Y. 1995. The Governor recommends the biennial amount of \$948,000, which represents an annualized amount, so that the effort may continue into the next biennium.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: GOVERNMENT SERVICES
ACTIVITY: GOVERNMENT SERVICES

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,763	4,058	4,584	3,247	3,721	3,721	3,247	3,721	3,721
EXPENSES/CONTRACTUAL SRVCS	520	513	540	510	510	510	523	523	523
MISC OPERATING EXPENSES	105	117	120	94	94	94	94	94	94
SUPPLIES/MATERIALS/PARTS	64	65	51	33	33	33	33	33	33
CAPITAL EQUIPMENT	58	9	7						
SUBTOTAL STATE OPERATIONS	4,510	4,762	5,302	3,884	4,358	4,358	3,897	4,371	4,371
TOTAL EXPENDITURES	4,510	4,762	5,302	3,884	4,358	4,358	3,897	4,371	4,371
AGENCY REQUEST ITEMS:									
			FUND						
HEALTH BOARDS LICENSING			SGS		474			474	
TOTAL AGENCY REQUEST ITEMS					474			474	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,068	2,720	2,879	2,730	2,730	2,730	2,741	2,741	2,741
STATE GOVT SPEC REV	1,442	2,042	2,423	1,154	1,628	1,628	1,156	1,630	1,630
TOTAL FINANCING	4,510	4,762	5,302	3,884	4,358	4,358	3,897	4,371	4,371
FTE BY EMPLOYMENT TYPE:									
REGULAR	73.6	80.8	84.3		109.9			109.9	
TEMP/SEAS/PART_TIME	.4	.6	.6		.6			.6	
OVERTIME	.3	.2	.2		.2			.2	
TOTAL FTE	74.3	81.6	85.1		110.7			110.7	

1996-97 Biennial Budget

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The Public and Human Resources Section provides critical legal services to assist state agencies in protecting Minnesota's most precious resources: its environment and its people. Each division counsels client agencies on program development and implementation, initiates enforcement action as necessary and defends the authority of the legislature and the agencies when they are sued. The divisions in this section are: Agriculture and Natural Resources, Environmental Protection, Human Services, Labor and Public Utilities.

■ **Agriculture and Natural Resources** - These divisions provide legal services to:

- Department of Natural Resources (DNR)
- Department of Agriculture;
- Board of Water and Soil Resources;
- Board of Animal Health;
- Minnesota Agricultural Society (State Fair); and
- State Arts Board

Key function include the following:

- **Indian treaty litigation.** The Chippewa bands in northern Minnesota are vigorously challenging the enforcement of state natural resource laws against their members on the grounds that those laws are preempted by 19th-century treaties. This division is currently defending the state in 2 major Indian treaty lawsuits, 1 brought by the Mille Lacs Band and 1 by the Fond Du Lac Band.
 - **General litigation.** We assist agencies in their vital enforcement actions, including permit hearings under Minnesota's water laws, actions against violators of agricultural chemical control and food safety regulations and litigation concerning pesticide incident response and cost recovery. The division also defends the agencies in litigation such as regulatory "takings" claims, animal rights cases, environmental rights challenges and constitutional challenges to state laws.
 - **Transaction services.** The division handles all of the legal work involved in the DNR's substantial real estate transactions, including acquisition, land exchanges, sales and conveyances, land and mineral leases and others. Real estate attorneys handle disputes over zoning and land use planning, drainage, boundaries and trespasses, natural resources damage claims and other proceedings. Staff members also draft, negotiate and review contracts, leases and grants for the DNR and the State Arts Board.
- **Environmental Protection** - This division (EPD) serves and counsels 4 state agencies whose goal is to protect health and the natural environment from air, water and soil pollution:
- Pollution Control Agency;
 - Office of Environmental Assistance;

- Harmful Substance Compensation Board; and
- Environmental Quality Board.

EPD helps the agencies reach this goal by:

- counseling the agencies on the development and implementation of environmental programs consistent with state and federal laws;
- assuring regulatory compliance. We aggressively participate in the permitting and certification process and negotiate agreements for corrective action and environmental cleanups.
- initiating litigation as necessary to assure compliance and to defend environmental policies and laws against challenges; and
- recovering the costs of natural resource damages and public expenditures for environmental harm.

The division emphasizes approaches which provide opportunity for public involvement in environmental decision-making and which prevent costly litigation as appropriate.

■ **Human Services** - This division represents the Department of Human Services (DHS), the largest state agency. The myriad programs supervised and administered by DHS involve a complex maze of federal and state laws. The division works with DHS to assure that:

- licensed programs for children and adults are safe and effective;
- rate structures are adequate and prudent for hospitals, nursing homes, non-institutional providers and intermediate care facilities for the mentally retarded;
- costs paid for care by Medical Assistance are recovered from responsible insurers;
- income and medical assistance program standards are administered fairly and appropriately; and
- the regional treatment centers admit, treat and discharge persons within statutory and constitutional parameters.

The division focuses its efforts in 3 main areas:

- **litigation** - we initiate, defend or intervene in legal actions in federal and state courts to protect the authority of DHS and the well-being of the people it serves;
- **administrative enforcement** - we initiate and defend the state in administrative actions with individuals or service providers who challenge agency actions; and
- **advice and consultation** - we help DHS formulate legislation, provide legal advice on the implementation of statutes, rules and programs and respond to questions from the public about human services laws and issues.

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of (AGO)
 (Continuation)

- **Labor Law** - This division provides legal representation for the Minnesota Department of Labor and Industry (DOLI), including its OSHA, Labor Standards, Apprenticeship, Workers' Compensation and Inspection Services Divisions, as well as the Minnesota Special Compensation Fund. It also provides legal services for the National Guard and Minnesota's 3 largest pension funds: the Public Employee Retirement Association, the Teacher's Retirement Association and the Minnesota State Retirement System.

The primary goals of the division are:

- to work with DOLI to provide fair, safe and healthful working conditions for every Minnesota citizen;
- to ensure that Special Compensation Fund expenditures are consistent with state laws and regulations; and
- to assist the pension funds in meeting their statutory requirements and protecting the financial assets entrusted to them.

The division emphasizes these areas:

- litigation and appellate work on contested OSHA health and safety citations;
 - litigation of OSHA discrimination cases, which are suits against employers on behalf of employees who exercised a right under the OSHA Act and experienced discrimination as a result;
 - drafting and reviewing proposed legislation and administrative rules; and
 - client advice on a broad range of topics and representation in court and administrative proceedings and in the workers' compensation trial and appeal systems.
- **Public Utilities:** This division provides advice and litigation services to the Transportation Regulation Board and the Public Utilities Commission so that these quasi-judicial agencies can effectively carry out their mission to ensure that Minnesotans receive safe, efficient and reasonably priced telephone, energy and transportation services.

PROGRAM STATUS:

In F.Y. 1994-95, each division has found its caseload becoming larger and more complex. Many external pressures affect the agencies, which in turn seek assistance from the AGO in meeting these new challenges. Significant accomplishments and noteworthy trends are described below.

- **Agricultural and Natural Resources** - Our accomplishments in F.Y. 1994-95 include the following:

- Pretrial and trial of Mille Lacs case. After the 1993 legislature declined to approve a negotiated settlement agreement, the division completed work on a series of expert reports, finished the discovery process, briefed and argued summary judgment and other pretrial motions and tried Phase One of the case in U.S. District Court. Preparations are underway for trial of Phase Two, which will involve the actual allocation of natural resources between "treaty" and "nontreaty" harvest. We are also preparing to appeal the Phase One ruling.
- Pretrial motions in Fond Du Lac case. The division completed preliminary discovery and briefed and argued summary judgment motions to resolve the Fond Du Lac's 1837 and 1854 treaty claims. That case should be ready for trial in early 1995.
- Conveyance of DNR land in Washington County to Andersen Corporation. The conveyance of the land needed for Andersen to expand its plant capacity in Minnesota rather than in Wisconsin involved successfully defending against 2 separate lawsuits brought by neighboring landowners and the Sierra Club. We also helped DNR manage an environmental cleanup of the property and address the consequences of the discovery of Indian burial mounds on the property. This transaction will not only foster economic development, but will also make funding available to complete the cleanup and to acquire superior wildlife habitat in the metropolitan area.
- Real estate transaction. In 1993-94, division real estate specialists helped DNR acquire over 22,000 acres of land in transactions worth over \$10 million by handling title examinations and performing diligent pre-closing document reviews. We also assisted the Board of Water and Soil Resources in acquiring 437 easements with a value of \$12.6 million, thus further the goals of such programs as Reinvest in Minnesota.
- *Pine County v. State of Minnesota*. The division successfully defended the legislature's 1993 repeal of statutes giving local governments a share of the income from certain tax-forfeited lands, saving the state several million dollars. The decisions reaffirmed the legislature's prerogative to adjust the financial relationship between state and local government to serve the best interest of the state as a whole.
- Successful actions against projects detrimental to the environment. The division has assisted the DNR in denying permits for several proposed projects that would have damaged or threatened wetlands, wildlife habitat and the ecosystems of our lakes and rivers, including a floodway project for the Lac Qui Parle River, a flood impoundment project near Maple Lake in Polk County and a street extension project through a protected wetland in Sauk Rapids. The division took dozens of successful enforcement and restoration actions against individuals, businesses and local governments who illegally filled or converted wetlands.
- Pesticide enforcement actions. The division prosecuted a number of violators of the pesticide control law, including a large chemical company which illegally used formaldehyde in poultry facilities. The division successfully persuaded an individual to surrender his state pesticide license after his company illegally sprayed millions of bushels of General Mills' oats with a pesticide not labeled for the purpose.

1996-97 Biennial Budget

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of (AGO)
(Continuation)

- Defense against animal rights lawsuits. The division successfully fended off lawsuits by animal rights organizations challenging the urban goose relocation program, the St. Louis Park deer herd reduction program and the deer bow hunting season.
- **Environmental Protection** - This division has had many noteworthy accomplishments during F.Y. 1994-95, including:
 - Mercury Products ("Toxic Tennies"). We resolved the "toxic tennies" controversy, which began with the discovery that certain types of L.A. Gear shoes contained mercury. This enforcement case prompted legislation which banned additional mercury-bearing products from Minnesota. Minnesota has been the most progressive state in working to prevent the unnecessary use of mercury in commercial products. The high-profile L.A. Gear case drew considerable attention from other states, which enacted or are considering mercury-ban legislation.
 - Coal Ash Slide. We assisted the Pollution Control Agency (PCA) in addressing the major 1993 coal ash slide at Taconite Harbor from the LTV Steel Mining Company facility. We quickly drafted an emergency order and helped negotiate a stipulation agreement with LTV to monitor the ash which remains in Lake Superior and Taconite Harbor and to compensate the state for LTV's failure to recover that ash. In the agreement, LTV agreed to pay \$240,000 to fund an environmental project of benefit to the lake.
 - Innovation Award. Minnesota's Voluntary Investigation and Cleanup (VIC) Program, which implements the 1992 Land Recycling Act and encourages the cleanup and redevelopment of contaminated property, received the 1994 Ford Foundation Award for Innovation in State and Local Government.
 - New Permit Program. We helped the PCA develop a new federal operating permit program required by the 1990 Clean Air Act Amendments, revise its state operating permit program to conform to federal law, analyze state law to assess legal options to accomplish this task and determine necessary legislative changes.
 - Enforcement Actions. We assisted PCA in negotiating enforcement agreements and defending administrative penalty orders to enforce environmental requirements. These orders resulted in the recovery of hundred of thousands of dollars in penalties and costs.
 - Cleanup Cost Recovery. Division actions to recover the cleanup costs of petroleum tank releases have resulted in recovery of over \$300,000 during F.Y. 1994-95. We also won a judgment for recovery of \$115,000 in state Superfund money expended to control the 1989 Andover tire fire and settle 2 other Superfund cost recovery claims (State v. McGowan and State v. Evans Asset Holding Company) totally \$347,000.
- Environmental Grant and Loan Program. The division aided the Office of Environmental Assistance (OEA) in implementing its grant and loan program. In 1993 OEA entered into approximately 70 grant or loan agreements involving over \$6 million. These grants and loans were designed to provide assistance in preventing pollution and reducing solid waste at the source, developing markets for recyclable materials, constructing solid waste management facilities and providing public information and education on solid waste matters.
- **Human Services** - This division has achieved a number of our objectives during F.Y. 1994-95. For example, we:
 - Worked to achieve welfare reform. We assisted DHS with rule development, federal waiver requests and other legal issues necessary to successfully initiate one of the nation's most innovative welfare reform efforts.
 - Developed proposals to reform child support enforcement. Many of these major reforms were enacted by the legislature.
 - Successfully defended the constitutionality of Minnesota's psychopathic personality statute before the Minnesota Supreme Court and the U.S. Supreme Court, which declined to grant further review of the constitutional issues raised in these cases. Division attorneys also contributed substantially to the development of a new law providing for the civil commitment of sexually dangerous persons.
 - Worked to improve independent adoption procedures by developing a new legal framework and standards to make independent adoption a safer and more secure process for Minnesota families.
 - Zealously defended the constitutionality of state law restricting use of Medical Assistance funds for abortions.
- **Labor Law** - This division has had many accomplishments in F.Y. 1994-95. For example, we:
 - Developed and litigated a groundbreaking ergonomics case against a meatpacking company, Monfort, Inc., for which the legislature appropriated \$700,000 in 1993.
 - Successfully defended Minnesota's prevailing wage statute and regulations against constitutional preemption challenge. This case is currently on appeal.
 - Assisted in the criminal prosecution of an employer who provided false records after an accident which killed an underage employee.
 - Helped draft an OSHA policy on violence in the workplace, an issue of increasing concern across the nation.
 - Successfully resolved bankruptcy claims against several self-insured employers, including American Freight and Wilson Foods, recovering over \$800,000 for the special compensation fund. Unsecured bankruptcy claims totaling approximately \$3.5 million were determined to be owed to the fund; only 40% of this amount will likely be collected.

1996-97 Biennial Budget

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of (AGO)
(Continuation)

- Assisted in recovering \$1.27 million in OSHA penalties and reduced potential payments from the special compensation fund by about \$750,000 per year.
- Completed 13 sets of rules arising from 1992 workers' compensation legislation, which effected significant changes in procedures, ratings, fees and other features of the workers' compensation arena.
- **Public Utilities** - The workload of both the Transportation Regulation Board (TRB) and Public Utilities Commission (PUC) continues to grow, as does the agencies' demand for legal services.

Their 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. Decreased regulation has ironically created more work for regulators and their attorneys because there are more market entrants and new issues arise, including bankruptcies, unfair competition claims and greater variation among the companies. During F.Y. 1996-97, the TRB will be greatly affected by recent federal action pre-empting most state law regulating intrastate motor carriage of freight. This will eliminate about 60% of the current workload of the board.

In part because of effective legal representation of the PUC and the TRB, a low percentage of these agencies' orders have been challenged. Thus far in the F.Y. 1994-95 biennium, 10 orders have been appealed to the Court of Appeals. Nine were affirmed in their entirety.

PLANNED RESULTS:

The section plays a key role in helping state agencies effectively administer their programs. We measure the results of our efforts in the following ways:

- **Success of Agencies' Programs.** Capable legal analysis is frequently essential to the development and implementation of state programs. Not only must we construe the state statutes, but we must do so in a manner consistent with federal law and courts' construction, analyzing the facts presented and the options available for implementation. Frequently this involves working with agencies to evaluate proposals made by regulated industries.
- **Successful Litigation.** One of the key responsibilities of the Attorney General is to represent state interests effectively in litigation. We place great emphasis on this role and have been consistently successful.
- **Responsive and Effective Legislation.** We are frequently called upon to help identify areas of needed change in the law at the state and federal level, and to assist in developing and drafting proposed initiatives or amendments.

- **Agency Satisfaction.** We work closely with the state agencies to get regular feedback to improve our service. For example, we continually evaluate whether agency staff were satisfied with the quality of the written and oral advocacy. Were enforcement actions prioritized in a manner which clarified the agency's authority? Were such transactions as land acquisitions and contract negotiations managed so as to protect the state, anticipate potential disputes and creatively resolve conflicts?
- **Timely Citizen Assistance.** Each year we receive hundreds of calls and letters from individuals and businesses with questions about their rights or complaints about perceived infringement of those rights. Although we are careful to state that we cannot advise individuals about their legal rights, we are often able to direct them to provisions of the law, agency staff or community resources which may be helpful. Our goal is to provide accurate, professional and prompt assistance to citizens.

Within these broad service areas, each division faces special challenges in F.Y. 1996-97. We will work to achieve our objectives within budgetary limitations.

- **Agriculture and Natural Resources** - In addition to our ongoing litigation work and advice to DNR, we anticipate major workload increases in 2 areas:

- **Treaty litigation.** We will continue to devote substantial resources to the complex Mille Lacs and Fond Du Lac cases, building on our efforts in F.Y. 1994-95. We anticipate that other Chippewa bands from Minnesota and Wisconsin will intervene in either or both of these cases, and that we will see new lawsuits seeking further expansion of Indian treaty or aboriginal rights. For example, we have been served with a complaint on behalf of the White Earth Band for hunting and fishing rights in all of Minnesota north and west of the 1837 and 1854 ceded territories. There likewise remain unsettled reservation boundary and jurisdiction issues with many of the bands.
- **Transaction assistance.** In the 1994 legislative session, the DNR was appropriated \$59 million in bonding money, nearly double what had been appropriated before. In addition, the Legislative Commission on Minnesota Resources has earmarked new monies for land acquisition. The availability of these additional resources will significantly increase both the amount and the complexity of our real estate acquisition and contract review work.

- **Environmental Protection** - Division members' knowledge of complex state and federal environmental programs will continue to be in high demand as agencies evaluate and improve their existing programs and develop new initiatives. Specific emphases in F.Y. 1996-97 will include:

- continuing implementation of the 1990 Clean Air Act Amendments;
- implementation of the 1994 landfill cleanup legislation to assure that landfills are brought into compliance. The state will be able to take over future cleanup and avert private cost recovery litigation;
- increased efforts to promote a larger role for states in the reauthorization of the federal Superfund program, retain strong incentives for responsible party cleanups, assure the adequacy and consistency of cleanup remedies and obtain federal recognition for state voluntary cleanup programs;

1996-97 Biennial Budget

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of (AGO)
 (Continuation)

- increased services to the Environmental Quality Board (EQB), stemming from the dispute concerning disposal of nuclear waste from the NSP Prairie Island plant and from EQB's plans to expand its role in the environmental review process; and
 - additional assistance to the Office of Environmental Assistance (OEA), commensurate with the legislature's increase in the OEA's duties.
- **Human Services** - The division expects to face a number of pressing issues during F.Y. 1996-97. For instance:
- The newly enacted civil commitment statute for sexually dangerous persons has been challenged. There will be an increase in the number of hearings involving petitions for discharge filed by persons committed as psychopathic personalities or sexually dangerous persons.
 - Referrals of long-term care rate appeals have increased due to recent legislation requiring DHS to issue determinations and refer to us those cases in which determination are rejected by providers.
 - Child support enforcement efforts require increasing advice, as DHS continues its reform efforts and works to implement a sophisticated new computer system.
 - Adoption and foster care reform continue to be important issues.
 - Health-care (including long-term care) reform efforts will demand a great deal of advice and litigation services.
 - Public assistance eligibility issues will continue to arise as individuals find creative way to dispose of their assets in order to attain eligibility.
- **Labor Law** - In addition to a full and increasingly complex caseload of OSHA safety and health cases, other issues and particular cases will demand a great deal of legal resources in F.Y. 1996-97. For instance:
- Commissioner v. Monfort, Inc. This ergonomics case will involve extensive discovery, trial preparation witness and expert witness preparation and post-trial briefing. It is scheduled to go to trial in May 1995.
 - Violence in the workplace is gaining great attention from state and federal regulators, who are seeking to develop methods to prevent this workplace danger.
 - New federal safety and health standards are in the rulemaking process. These will lead to increased activity at the state level. Examples include:

- a new ergonomics standard;
 - regulations regarding tobacco smoke in the workplace;
 - a revised fall protection standard;
 - updated permissible exposure limits for many substances; and
 - increased penalties, including a minimum \$25,000 penalty for willful violations.
- Issues continue to arise relating to the extent of DOLI's jurisdiction over prisoners, volunteers and certain transportation workers and its authority in areas of potential conflict with other regulatory bodies such as environmental protection, pesticide enforcement and health regulation.
 - We expect increased litigation in workers' compensation enforcement, with its accompanying issues of insurance and fraud.
 - Further Employee Retirement Income Security Act (ERISA) preemption litigation is likely concerning prevailing wage, apprenticeship and labor standards.
 - We expect continued litigation regarding calculation of early retirement incentive eligibility and pension benefits.

BUDGET AND REVENUE SUMMARY:

The Public and Human Resources Section's greatest challenge is to find effective ways to respond to agencies' ever-increasing demand for its services. These agencies have been given new responsibilities by the legislature in recent years, but available legal resources have not grown proportionately. In addition, the increased financial resources available to the Indian people of the state have been accompanied by their increased assertion 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.

Many of the section's specific objectives for F.Y. 1996-97 will depend upon the new initiatives and allocation of funds enacted in the 1995 legislative session.

The Public and Human Resources Section provides most of the services utilized by 3 of the partner agencies: Human Services, Natural Resources and the Pollution Control Agency. These agencies' F.Y. 1996-97 budget requests will include funding for AGO services.

REVENUE: This program generates non-dedicated revenue.

Type:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated - General	\$1,134	\$1,018	\$1,108	\$-0-	\$-0-

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any General Fund requests in excess of current spending levels from unallocated balances in the General Fund.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: PUBLIC AND HUMAN RESOURCES
ACTIVITY: PUBLIC AND HUMAN RESOURCES

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,695	3,557	3,479	2,692	2,692	2,692	2,692	2,692	2,692
EXPENSES/CONTRACTUAL SRVCS	106	748	574	511	511	511	530	530	530
MISC OPERATING EXPENSES	82	108	100	85	85	85	85	85	85
SUPPLIES/MATERIALS/PARTS	47	45	46	28	28	28	28	28	28
CAPITAL EQUIPMENT	120	8	2						
SUBTOTAL STATE OPERATIONS	4,050	4,466	4,201	3,316	3,316	3,316	3,335	3,335	3,335
TOTAL EXPENDITURES	4,050	4,466	4,201	3,316	3,316	3,316	3,335	3,335	3,335
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,878	4,298	3,863	3,241	3,241	3,241	3,260	3,260	3,260
LANDFILL CLEANUP			150	75	75	75	75	75	75
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	172	168	188						
TOTAL FINANCING	4,050	4,466	4,201	3,316	3,316	3,316	3,335	3,335	3,335
FTE BY EMPLOYMENT TYPE:									
REGULAR	70.7	67.8	64.8		87.3		87.3		
TEMP/SEAS/PART_TIME	.2	1.1	1.1		1.1		1.1		
OVERTIME	.1	.1	.1		.1		.1		
TOTAL FTE	71.0	69.0	66.0		88.5		88.5		

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1996-97 Biennial Budget

PROGRAM: Law Enforcement
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The Attorney General protects Minnesota's people, property, environment and the integrity of the state's commerce through a multi-disciplinary, proactive Law Enforcement Section.

Minnesotans expect the Attorney General to play an important role in fighting crime. The Criminal Division fulfills that mission by supporting county attorneys in their efforts to prosecute some of the toughest crimes. The division's greatest efforts are in prosecuting violent crimes, especially those against children and vulnerable adults, drug crimes and white-collar crimes, particularly those which threaten the integrity of the gambling and health-care industries. The division also handles felony and gross misdemeanor appeals for 80 of the state's 87 counties.

Consumer confidence in the essential fairness and integrity of business practices in Minnesota is as critical to a healthy economy as effective prosecutions are to Minnesotans' peace of mind. These divisions work to assure that confidence by enforcing a variety of laws against unfair or dishonest business practices.

The divisions in the Law Enforcement Section are: Criminal, Consumer Enforcement, Consumer Services, Medicaid Fraud, and Antitrust.

- **Criminal Division** - Through the work of this division, the Attorney General carries out his statutory duty to "appear in court in such criminal cases as the attorney general deems proper" upon the request of the local county attorney and his duty to "appear for the state in all causes in the supreme and federal courts wherein the state is directly interested."

This division prosecutes serious crimes in trial courts throughout Minnesota when requested by the county attorney and handles felony and gross misdemeanor appeals for 80 of the 87 counties. We also investigate certain types of suspected criminal activity not generally within the expertise of local law enforcement agencies and train law enforcement officers and prosecutors throughout the state. Representative trial prosecutions during F.Y. 1994-95 have included:

- homicide;
- sex crimes;
- serious drug trafficking offenses, including sales of narcotics, conspiracy, money laundering and Racketeer Influenced Corrupt Organization (RICO);
- complex white-collar crimes such as swindling and embezzlement;
- crimes arising from legal and illegal gambling;
- health-care fraud; and
- forfeiture.

The division managed significant appellate activities in F.Y. 1994, including 114 appellate briefs, 50 responses to petitions for review of appeals court decisions, 4 petitions for review of appeals court decisions and 34 oral arguments.

We have performed investigations of a variety of cases during F.Y. 1994-95, including:

- complex thefts by swindle;
- securities fraud;
- allegations of misconduct by public employees and elected officials;
- environmental crime; and
- health-care fraud.

We have trained law enforcement professionals on many current topics, including:

- bias crimes prosecution;
- DNA evidence;
- trial and appellate advocacy;
- narcotics investigation;
- infant death investigation;
- sex crimes prosecution;
- conducting grand jury inquiries;
- extradition;
- non-discriminatory jury selection;
- criminal law changes;
- gambling prosecution;
- evidence; and
- search and seizure.

- **Consumer Enforcement** - The primary mission of this division is to prosecute consumer fraud and false advertising cases. Examples of cases during F.Y. 1994-95 include:

- frauds aimed at senior citizens, recent immigrant groups and other vulnerable persons;
- health frauds, such as bogus medical devices and quack treatments, as well as false advertising by national pharmaceutical companies;
- telemarketing and direct mail scams that bilk Minnesotans out of millions of dollars each year;
- credit scams aimed at low-income persons;
- phony "invoice" scams that have defrauded Minnesota businesses out of millions of dollars; and
- frauds involving home repair, auto repair, living trusts, mortgages, health clubs, door-to-door sales, credit reporting, "get rich quick" seminars, going-out-of-business sales, pyramid schemes and numerous other types of frauds, scams and false advertising.

- **Consumer Services** - This division is the largest public contact division in the Attorney General's Office. The division has 2 principle responsibilities: 1) to handle calls from the general public; and 2) to assist citizens who have filed complaints regarding their individual experiences in the consumer marketplace.

PROGRAM: Law Enforcement
AGENCY: Attorney General, Office of (AGO)
(Continuation)

- **Medicaid Fraud** - This division is a federally certified Medicaid Fraud Control Unit. Its mission has 3 components:
 - to investigate and prosecute health-care providers who commit fraud in the Medical Assistance program;
 - to investigate and prosecute long-term care providers who commit fraud in reporting costs; and
 - to review reports and refer or prosecute abuse and neglect in Medicaid-funded facilities.
- **Antitrust** - The mission of this division is to ensure a prosperous Minnesota economy through vigorous enforcement of antitrust laws designed to promote free and open competition. This competition, in turn, creates jobs and provides high-quality products at the lowest possible prices. More specifically, the division achieves this goal through:
 - investigation of complaints or other information received about possible violations of state antitrust laws;
 - prosecution, either criminally or civilly, of violations of state antitrust laws;
 - damage collection actions on behalf of state and local government injured by antitrust law violations; and
 - education of the public, businesses and government leaders about the antitrust laws, to prevent violations before they occur.

PROGRAM STATUS:

In F.Y. 1994-95, the Law Enforcement Section has developed valuable expertise in the area of general health-care fraud. Since beginning work under a 1993 initiative, the Consumer Division has recovered over \$470,000 from actions stemming from health-care fraud and abuse, while the Criminal Division has investigated a number of sophisticated swindles of the type that drive up health care costs. The Criminal Division's health fraud efforts have also begun to generate a substantial number of referrals from industry in the wider arena of insurance fraud. All of the enforcement divisions hope to continue their work against health and insurance fraud, while maintaining their long-standing efforts against such practices as fraudulent telemarketing, price fixing and all manner of crime.

- **Criminal Division** - Significant accomplishments of the division's legal and investigative staff in F.Y. 1994 were:
 - obtaining the first conviction in the state for first degree murder under the new law on past pattern of domestic abuse;
 - upholding on appeal the constitutionality of the patterned sex offender sentencing law;
 - helping to change in 3 appeals the law of evidence regarding DNA analysis and population frequency statistics; and
 - assisting in the "phonegate" investigation requested by the legislature.

In addition, the health-care fraud initiative began; the division's first major health-care fraud cases are set for trial. The responsibility for investigating and prosecuting environmental crime was transferred to the Criminal Division and significant personnel changes were made in connection with the adoption of a memorandum of understanding with interested state agencies, including the Pollution Control Agency, Department of Natural Resources and Department of Transportation. Gambling prosecution efforts resulted in several prosecutions and trials, a grand jury investigation, a significant joint state/federal investigation of reputed organized crime figures and several forfeitures. The federally funded drug prosecution unit expanded its activities and tried its first money laundering and RICO case. An increasing number of drug cases are being charged following state and federal task force investigations. In F.Y. 1994 the Criminal Division opened 116 trial prosecutions and investigations; 134 trial prosecutions and investigations were completed.

- **Consumer Enforcement** - From 7-1-93 through 9-30-94, this division brought 47 law enforcement actions, obtaining judgments for the state of \$589,000 in civil penalties and \$345,000 in costs and fees, as well as \$634,000 in restitution and \$170,000 for consumer education. In addition, the division obtained numerous injunctions that stopped or reformed illegal business practices, saving Minnesota consumers hundreds of thousands (if not millions) of dollars each year.

Public demand continues to grow for enforcement actions by the division. In addition, each year the legislature passes new laws for the division to enforce, such as the prize notification law in 1993 and the automatic dialing statute in 1994. At all times, the division must manage its limited resources and choose its enforcement actions in a manner that has the greatest overall impact on the public's well-being.

- **Consumer Services** - The growth in consumer calls to the AGO has been phenomenal. In F.Y. 1989 we averaged 250 calls per day, and in F.Y. 1994 we averaged 425 calls per day.

The consumer complaint mediation volume also has steadily increased. In F.Y. 1990 we had 10,465 complaints and in F.Y. 1992 we received 12,663 complaints, for an increase of 21%. In F.Y. 1993-94 we averaged approximately 11,000 written complaints per year. To maintain some control over this workload, we urge callers to take "self-help" steps in resolving their consumer disputes. Additionally, we strongly discourage complaints under \$50. Even with these controls in place, the average mediator has over 425 open and active files.

This division recovered over \$2.8 million for consumers in F.Y. 1993-94. We believe that our citizen assistance has also prevented economic losses of an incalculable amount.

1996-97 Biennial Budget

PROGRAM: Law Enforcement
AGENCY: Attorney General, Office of (AGO)
(Continuation)

- **Medicaid Fraud** - In F.Y. 1994, investigations by this division resulted in 8 convictions and 2 diversions. The total financial sanctions were in excess of \$5 million, which consisted of the following:
 - \$2.6 million in restitution of Medicaid program funds;
 - \$1.98 million in restitution of Medicare program funds;
 - \$144,368 in restitution for consumers and other insurers;
 - \$451,501 in costs of prosecution; and
 - \$3,058 in criminal fine surcharges.

The defendants convicted during this certification year were ordered to serve a total of 12 months in jail, 44 months in prison, 924 months probation and perform 200 hours of community service. They had 99 months of prison time stayed during the term of probation.

In F.Y. 1994, the division had many noteworthy accomplishments. One case involved a prosecution against the owner of 3 long-term care facilities which received Medicaid funds. The owner admitted that he stole at least \$388,786 from the program by submitting fraudulent cost reports for these facilities and by taking resident trust funds for his personal use. This provider was sentenced to a triple departure of 63 months in prison. He received a stay of the prison sentence, 10 years of probation, and was ordered to serve 6 months in jail as a condition of probation. The court departed on the grounds that the crime was a major economic offense.

In an abuse prosecution, a nursing assistant was charged with assault and abuse of a vulnerable adult after striking a 100-year-old resident with a digital thermometer case causing multiple bruises to the patient's face and hands. He pled guilty to 1 count of maltreatment of a vulnerable adult and was sentenced to 120 days in the county jail, with 90 days stayed as a condition of probation. He was ordered to have no contact with the victim and not to engage in any work which involves the care and/or treatment of vulnerable adults.

In another criminal case, the owners of a medical transportation company were charged with submitting billings for falsified mileage and charges for non-covered services, such as luggage, stairs and holidays. They admitted they had estimated mileage, rounded up the mileage to include the non-covered services and billed for trips that never occurred, such as scheduled trips which were cancelled during the 1991 Halloween snowstorm. Both defendants were given prison sentences of 13 months with a stay of execution of sentence and probation for up to 20 years. Both were ordered to serve 30 days in the workhouse, perform 100 hours of community service and make restitution in the amount of \$474,310.

The Medicaid Fraud Division also organized and participated in an invitational working conference on Vulnerable Adult Act (VAA) issues in both 1993 and 1994. During the conference, participants from many different disciplines exchanged experiences and ideas on how to improve the current VAA process and enhance a legislative package that was drafted over 12 months by the

working group. As a result of the surveys and the 1993 conference, a report was drafted for the Attorney General and the legislature entitled "The Minnesota Vulnerable Adult Act: An Outline For Reform."

- **Antitrust** - With a small but dedicated staff of 8, the division has taken significant enforcement action to promote open competition in a number of industries. One of our priorities is to help contain health-care costs through in-depth review of questionable mergers and investigation of restraints of trade. MinnesotaCare seeks to contain costs and increase access and quality through a system of "managed competition." But you cannot have managed competition without competitors. Our vigilance ensures that private parties do not conspire to reduce the number of competitors in the health-care marketplace. Thus, for example, the division conducted major investigation of 2 Twin Cities hospital merger cases, resulting in federal court consent judgments limiting their anticompetitive impact.

Already during F.Y. 1994-95, the division has opened 35 new investigations and has continued work on several significant cases carried over from the prior biennium (such as the large multistate *Insurance Case* in federal district court). These cases span the whole range of complex antitrust litigation, from price-fixing and mergers to illegal tying arrangements and market allocation schemes. Our investigations and trials included civil and criminal cases involving health-care products and provider systems, retail gasoline pricing practices, state highway bids and waste hauling.

The division's enforcement efforts are very cost-effective. Between 7-1-93 and 9-30-94, we have obtained over \$5.6 million in court-ordered penalties, fines, damages, restitution and costs.

PLANNED RESULTS:

The Law Enforcement Section will continue to investigate and prosecute cases vigorously and effectively to carry out the Attorney General's law enforcement duties. We will seek to use public monies responsibly, while facing increased local requests and cases of ever-greater complexity.

- **Criminal** - For F.Y. 1996-97, this division plans to emphasize the prosecution of serious crimes against persons (homicide and sex crimes), serious drug offenses, complex white collar crimes, gambling-related offenses, environmental crimes and health-care fraud. We will continue to appear in the appellate courts when those convicted of serious crimes appeal their convictions. The division will also continue to support legislative efforts to prevent, control and reduce crime. Lastly, the division must continue to provide high-quality training to police officers and prosecutors.
- **Consumer Enforcement** - Each year, there are far more instances of fraud reported to the division than can be investigated and prosecuted within our current resources. The division considers a number of factors in deciding which cases to pursue, including the nature of the potential defendant; the nature of the conduct; the vulnerability of the victims; the amount of money involved; the number of persons affected; the nature of the harm; the likelihood of obtaining meaningful relief; the likely deterrent effect; the likely educational effect; and the availability of private remedies. We will focus our efforts on those activities with the greatest positive impact on Minnesota consumers. In F.Y. 1996-97, the division will continue to:

- protect vulnerable citizens, such as seniors, low-income persons and people of color;

1996-97 Biennial Budget

PROGRAM: Law Enforcement
AGENCY: Attorney General, Office of (AGO)
 (Continuation)

- uncover and prevent frauds that add to increased health-care costs, including health fraud scams and cases involving unlawful advertising and marketing practices;
 - stop telemarketing and direct mail scams, illegal mortgage practices, auto repair and home repair frauds, credit scams and numerous other frauds and scams;
 - reform business practices and advertising practices;
 - recover civil penalties and restitution for victims of consumer frauds; and
 - save money for Minnesota consumers by stopping illegal practices, educating the public about frauds and scams and deterring unlawful business practices.
- **Consumer Services** - Each year, the division determines how best to attain its lofty objectives within its budgetary constraints. We believe that protecting and advising citizens in the purchase of larger-ticket items and educating consumers about telemarketing scams will continue to be the mainstay of the division's activity. In F.Y. 1996-97, the division will:
- continue to help consumers with their individual difficulties in the marketplace;
 - place more emphasis on helping citizens help themselves, in order to control the number of written consumer complaints;
 - coordinate activities with the Consumer Enforcement Division so as to mediate complaints related to health care involving hospitals, direct patient providers and pharmaceutical companies;
 - focus on assisting with larger consumer purchases such as cars and homes; and
 - expand our consumer outreach in the areas of landlord and tenant rights and responsibilities.
- **Medicaid Fraud** - The unit will continue its work on the VAA reform project and will be heavily involved with promoting the comprehensive reform bill during the 1995 legislative session.

The deterrent value of prosecutions by this division and the aggressive recoupment of stolen money are critical components of the state's overall efforts to contain health-care costs. With federal health-care fraud enforcement identifying national or multistate cases of fraud, we expect to participate in an increasing number of these investigations in F.Y. 1996-97.

- **Antitrust** - The ultimate outcome of this division's work is the enhancement of Minnesota's economic growth. Many Minnesota industries are already considered very competitive relative to the same industries in other states. For example, experts in road construction and health care, industries in which we have taken recent enforcement action, tell us that the marketplace in our state is known to be more efficient and cost-effective than it is elsewhere.

In F.Y. 1996-97, we plan to continue our efforts in prosecution, investigation and education as thoroughly and vigorously as our resources will allow.

BUDGET AND REVENUE SUMMARY:

This program generates dedicated and non-dedicated revenue.

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Type of Revenue:					
Non-dedicated - Gen'l	\$1,902	\$1,548	\$1,548	\$619	\$619
Dedicated - Special	10	18	8	8	8
Dedicated - Federal	619	903	570	900	600
Dedicated - Agency	267	494	494	494	494
Total	\$2,798	\$2,963	\$2,620	\$2,021	\$1,721

This program also generates revenue for individuals and classes of individuals.

In addition to the base budget request, the attorney general has developed an initiative for enhanced consumer education and outreach. Described below, this proposal will enable the AGO to provide accurate and useful information to tens of thousands of Minnesota citizens, allowing them to protect their rights as consumers more effectively.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: LAW ENFORCEMENT
ACTIVITY: LAW ENFORCEMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,399	3,499	4,043	3,800	3,858	3,800	3,800	3,858	3,800
EXPENSES/CONTRACTUAL SRVCS	477	519	675	651	651	651	670	670	670
MISC OPERATING EXPENSES	599	267	430	150	153	150	150	153	150
SUPPLIES/MATERIALS/PARTS	57	49	66	41	46	41	41	46	41
CAPITAL EQUIPMENT	30	39	2		4			4	
OTHER	139	141	91	91	91	91	91	91	91
SUBTOTAL STATE OPERATIONS	4,701	4,514	5,307	4,733	4,803	4,733	4,752	4,822	4,752
TOTAL EXPENDITURES	4,701	4,514	5,307	4,733	4,803	4,733	4,752	4,822	4,752
AGENCY REQUEST ITEMS:									
			FUND						
CONSUMER EDUCATION & OUTREACH			GEN		70			70	
TOTAL AGENCY REQUEST ITEMS					70			70	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,521	3,489	4,156	3,944	4,014	3,944	3,963	4,033	3,963
ENVIRONMENTAL	123	115	116	116	116	116	116	116	116
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	4	18	18	8	8	8	8	8	8
FEDERAL	611	803	756	640	640	640	640	640	640
AGENCY	442	89	261	25	25	25	25	25	25
TOTAL FINANCING	4,701	4,514	5,307	4,733	4,803	4,733	4,752	4,822	4,752
FTE BY EMPLOYMENT TYPE:									
REGULAR	67.9	69.3	72.6		73.9			73.9	

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: LAW ENFORCEMENT
ACTIVITY: LAW ENFORCEMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
TEMP/SEAS/PART_TIME	7.7	8.3	10.8		10.8			10.8	
OVERTIME	.1	.1	.1		.1			.1	
TOTAL FTE	75.7	77.7	83.5		84.8			84.8	

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Attorney General, Office of (AGO)
 PROGRAM: Law Enforcement
 ACTIVITY: Law Enforcement

ITEM TITLE: Consumer Education and Outreach

	1996-97 Biennium		1998-99 Biennium	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund	\$70	\$70	\$74	\$74
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statutes(s) affected:

*Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

RATIONALE:

The AGO requests \$140,000 for the biennium to support the distribution of consumer education and information materials.

Requests for help with consumer protection problems vastly exceed the attorney general's ability to assist through individualized mediation, investigation and prosecution. Calls to the consumer protection hotline now average 450 per day, up 100% in 10 years, while the consumer services staff has remained essentially constant.

The most cost-effective way to meet this growing need is to provide consumers in advance with the information necessary to protect their own rights in the marketplace, thus avoiding many problems altogether. By providing practical, user-friendly advice to help consumers help themselves, the AGO can concentrate its limited enforcement resources on the worst cases of consumer fraud and can better assist those unable to help themselves.

Public demand for the office's consumer self-help materials has grown at a staggering pace. In 1989, the office distributed 100,000 consumer information pamphlets, handbooks and other mate-

rials. In 1994, that figure will exceed 400,000. Among the principal sources of this demand, in addition to individual consumers, are teachers, legislators, agricultural extension agents, senior citizens' groups, law enforcement officers, hospitals, universities and social service agencies.

In response to this demand, the program has grown from a handful of brochures to include 25 handbooks and pamphlets, 2 newsletters, 4 teachers' guides, and more than 100 consumer advice columns annually, as well as training programs for teachers, police officers and others. This program has been developed with virtually no increase in staffing and is operated by one consumer information specialist and a half time clerk/typist, with periodic assistance from part-time contract workers or interns. Even with this help, shipments are routinely delayed for weeks or even longer.

We propose to convert the half-time clerk/typist position to a full-time shipping clerk position and add a full-time program assistant to improve the consistency, timeliness and responsiveness of the program. A full-time shipping clerk is required because the increased demand for shipping of materials—including over 3,000 bulk orders annually from teachers, seniors organizations, libraries and others—now outstrips the office's capacity to respond. A program assistant is needed to help the consumer information specialist in revising and updating existing publications, preparing weekly consumer advice columns and responding to public inquiries.

PROGRAM OUTCOMES:

The addition of these staff members will allow the AGO to provide responsive service to those members of the public who ask for our assistance with pressing consumer issues. Even more significantly, we will be able to complete high-priority projects that have been delayed due to resource constraints. Among these priorities are the development of:

- materials in Spanish, Hmong and other languages to serve Minnesota's growing immigrant populations;
- self-help information for small businesses, to help them protect themselves against common scams; and
- educational materials for health care consumers, to help them cut health care costs and better protect their rights.

An additional priority is the expansion of the office's school-based educational materials to reach the elementary and junior-high levels, where students can learn valuable critical thinking skills for a lifetime.

LONG-TERM IMPACT:

Measuring prevention is difficult. We have no count of the number of Minnesotans who were not ripped off because they heeded consumer advice from the attorney general's office. We do know, anecdotally, that our information helps many consumers not only to avoid fraud, but, more broadly, to make intelligent consumer decisions. We know that demand for the materials, from teachers and others, continues to grow; that our consumer information initiatives have won 5 national awards since 1989; and that students who have been taught using our curriculum materials score higher on tests of consumer knowledge.

More importantly, we know that prevention through education is a far more effective remedy than prosecution after the fact. Education is proactive. It involves the consumer. It can be targeted to specific populations. And it is highly cost-effective, compared to litigation: a single protracted lawsuit, involving relatively few victims, can easily cost more than the entire consumer education program. We believe, therefore, that this proposed investment in prevention will be money well spent.

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1996-97 Biennial Budget

PROGRAM: Legal Policy and Administration
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

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, financial, information systems, library services, docketing systems, records maintenance and facility management activities for the 32 divisions of the office. In addition, the citizen assistance unit is responsible for the hundreds of citizen contacts made with the office every day. The goal of this group is to facilitate the smooth operation of a large and multi-faceted public law office.
- **Policy and Communications** - This division, headed by the Executive Assistant, develops and coordinates the legal and public policy positions of the Attorney General, directs and coordinates communications for the office and implements special programs and initiatives to reach policy objectives. Policy directors in the areas of environmental protection, consumer protection, criminal justice and civil rights develop policy initiatives and legislation, work with task forces and commissions on these initiatives and develop legal proposals and litigation to advance public policy objectives.

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 and the Attorney General's Sexual Violence Prevention Project, as well as initiatives in environmental education, teen pregnancy prevention and other areas. We employ federal, state, local and private funding and personnel to carry out these activities.

PROGRAM STATUS:

- **Administrative Services** - A small but experienced and dedicated team provides support to the rest of the AGO staff. Accounting staff members pay over 700 bills each month and process an additional 125 expense reports. Other 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 in areas such as sexual harassment awareness. In F.Y. 1993-94, the office had 13 workers compensation claims, 4 labor grievances and no sexual harassment complaints.

Library staff offer reference and research support, conduct searches of legal and non-legal computerized information sources and oversee the selection, purchase and cataloging of all books, serials, journals, magazines, newspapers and other materials.

We are seeking new ways to use technology to help us manage the office's growing workload. We have established databases for the office's docketing, timekeeping and billing system. Consumer complaints are also automated. Transcript data has been automated for several cases with voluminous deposition records. The docketing unit staff maintains the office's docket of 50,000 cases, inputs over 11,000 time report entries every 2 weeks, provides managers and clients with up-to-date and accurate information and bills agencies for legal services provided. The personnel staff processes payroll with almost zero errors, provides information and assistance on all health insurance matters and directs all areas of hiring and separation.

- **Policy and Communications** - Significant accomplishments in each major policy area are described below.

Environmental Protection Policy - Over the past 4 years the office has assumed an increasingly proactive role in developing environmental policy initiatives. Among the key initiatives are:

- legislative proposals including the 1991 Environmental Enforcement Act, the 1993 Health Enforcement Consolidation Act and the national award-winning Land Recycling Act;
- efforts to prevent environmental problems. For instance, we developed Eco-Sense, an environmental curriculum for grades 7-12; and
- sponsoring a statewide forum on sustainable development.

Criminal Justice Policy - Since taking office in 1983, the Attorney General has developed a series of proposals to reform the criminal justice system, proposals often stemming from commissions and task forces. For example, the Attorney General's Task Force on Sexual Violence Against Women developed major reform of Minnesota's laws on rape and sexual assault and a series of proposals for education on sexual violence and harassment prevention. Since the 1990 legislative session, the vast majority of these reform recommendations have been enacted, making Minnesota a national leader in sexual violence prevention.

In 1993, the Attorney General helped initiate and develop extensive reforms of Minnesota's juvenile justice system, including:

- treating violent juveniles as serious offenders;
- reforming privacy laws to allow school officials to know about the criminal history of students;
- expanding sentence-to-work programs; and
- forcing parents to appear with juveniles in court and mandating parental participation in court-ordered treatment and restitution.

In 1994, the Attorney General took the lead in drafting the bipartisan legislation creating a law to commit "sexually dangerous persons."

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 rebuilt autos and create restrictions on sweepstakes mailings and fraudulent telemarketing. The Attorney General also plays a major role in influencing national consumer protection policies. Examples include the leadership of the national task force that established federal standards for environmental marketing claims and providing key congressional testimony and comments on the Federal Credit Reporting Act.

Since 1990, the AGO's consumer information initiatives have won 5 national awards for quality and innovation, while distributing over 1 million publications on topics from auto repair and tenants' rights to nutrition and senior citizen protection. These efforts included:

- the nation's most comprehensive free guides to home buying and refinancing;
- an unprecedented national summit conference on consumer education;
- nationally distributed television spots to fight fraud and scams against seniors;
- popular curriculum materials for Minnesota's teachers; and
- Minnesota's first consumer education materials in Spanish, Hmong, Vietnamese, Lao and Cambodian.

1996-97 Biennial Budget

PROGRAM: Legal Policy and Administration
AGENCY: Attorney General, Office of (AGO)
 (Continuation)

Drug and Alcohol Abuse Prevention - Created in 1987, the Alliance For A Drug-Free Minnesota encourages Minnesota communities, law enforcement and schools to participate in drug and alcohol abuse prevention. Recent and ongoing activities of the Alliance include:

- sponsoring an annual youth leadership conference on drug- and alcohol-related issues for senior high school students. In 1993, 450 students and educators attended;
- co-sponsoring, with the Minnesota Twins, a junior high school drug prevention contest to encourage students to initiate and participate in anti-drug activities. During the 1993-94 school year, over 1,500 students participated;
- sponsoring a youth leadership conference for junior high students. In 1994, 250 students and educators gathered to discuss drug- and alcohol-related issues; and
- developing a program to teach college students about sexual violence and harassment, group behavior and chemical use.

In 1994, the Alliance joined with the National Partnership for a Drug-Free America to form the Partnership for a Drug-Free Minnesota. This will enable us to expand our efforts in the future.

The Attorney General has played a prominent role in establishing and promoting the Minnesota D.A.R.E. program. The Attorney General chairs and staffs the D.A.R.E. Advisory Council, which has successfully supported and expanded the program in communities and schools throughout the state. The 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 regarded as a national model. Some statistics include:

- the number of trained and certified D.A.R.E. officers increased from just 1 in 1987 to 450 in 1994. Currently 385 officers have been re-certified to teach the recently revised D.A.R.E. elementary curriculum, which includes a section on weapons and crime.
- To date, 250,000 Minnesota 5th and 6th graders have graduated from the D.A.R.E. program.
- The D.A.R.E. curriculum is now being taught in 635 schools, in 210 of the 408 school districts in the state, and has been implemented in every elementary school in Minneapolis and St. Paul.
- In 1993, Minnesota D.A.R.E. trained 66 officers to deliver a new curriculum for junior high students and 35 officers to teach a new component for parents.

Sexual Violence and Harassment Prevention - To attack the roots of the problem of sexual violence, the Attorney General 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 1991-94 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 rape awareness advertisements to colleges across the state;

- development of legislation requiring all Minnesota higher education institutions to implement "campus security plans" to avoid problems of violence and sexual harassment on campus;
- development of an information packet on sexual harassment and date rape sent to all institutions of higher education and public senior and junior high schools; and
- distribution and compilation of several surveys of educational institutions regarding their policies procedures concerning sexual harassment, assault and violence. The surveys reached elementary and middle schools, junior high and high schools and post-secondary institutions.

PLANNED RESULTS:

- **Administrative Services** - The members of this division will continue to devote their efforts to providing capable, timely and professional assistance to the over 400 people we serve. The resource constraints facing the office also challenge the administrative staff, however. We must work continually to redesign and improve our procedures, with the help of information technology, to meet our objectives. The implementation of the statewide systems project will present a formidable budgetary and workload challenge in F.Y. 1995-96, but administrative staff members are confident that the long-term benefits of the new system will be worth the short-term difficulties we will encounter.
- **Policy and Communications** - This division will continue to use 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 for us to address through reforms of our legal system and policy and program initiatives.

BUDGET AND REVENUE SUMMARY: This program generated dedicated revenue.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated - Gen'l	\$1	\$-0-	\$1	\$-0-	\$1
Dedicated - Special	30	30	30	30	30
Dedicated - Gifts	66	67	2	-0-	-0-
Total	\$97	\$97	\$33	\$30	\$31

In addition to the base budget request, the attorney general has developed 3 initiatives for the legal policy and administration program. They are:

- Establishing a Salary Structure;
- Administrative Services Support; and
- Information Systems Enhancement.

These initiatives, described below, will greatly strengthen and stabilize the AGO's infrastructure and will allow us to continue to meet the growing demands of our work.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any General Fund requests in excess of current spending levels from unallocated balances in the General Fund.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: LEGAL POLICY AND ADMINISTRATION
ACTIVITY: LEGAL POLICY AND ADMINISTRATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,855	1,898	2,081	2,081	4,227	2,081	2,081	4,227	2,081
EXPENSES/CONTRACTUAL SRVCS	715	871	1,033	753	1,651	753	753	1,060	753
MISC OPERATING EXPENSES	208	213	265	196	255	196	196	221	196
SUPPLIES/MATERIALS/PARTS	269	246	242	232	811	232	232	247	232
CAPITAL EQUIPMENT	149	14			1,070			6	
SUBTOTAL STATE OPERATIONS	3,196	3,242	3,621	3,262	8,014	3,262	3,262	5,761	3,262
TOTAL EXPENDITURES	3,196	3,242	3,621	3,262	8,014	3,262	3,262	5,761	3,262
AGENCY REQUEST ITEMS:									
			FUND						
ESTABLISHING A SALARY STRUCTURE			GEN		1,800			1,800	
ADMINISTRATIVE SERVICES SUPPORT			GEN		190			190	
INFORMATION SYSTEMS ENHANCEMENT			GEN		2,762			509	
TOTAL AGENCY REQUEST ITEMS					4,752			2,499	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,090	3,143	3,593	3,260	8,012	3,260	3,260	5,759	3,260
STATUTORY APPROPRIATIONS:									
GENERAL	11								
SPECIAL REVENUE	18	41	3						
GIFTS AND DEPOSITS	77	58	25	2	2	2	2	2	2
TOTAL FINANCING	3,196	3,242	3,621	3,262	8,014	3,262	3,262	5,761	3,262
FTE BY EMPLOYMENT TYPE:									
REGULAR	33.5	33.7	36.3		43.8			43.8	

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
 PROGRAM: LEGAL POLICY AND ADMINISTRATION
 ACTIVITY: LEGAL POLICY AND ADMINISTRATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
TEMP/SEAS/PART_TIME	1.5	2.9	7.0		8.5			8.5	
OVERTIME	.1								
TOTAL FTE	35.1	36.6	43.3		52.3			52.3	

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Attorney General, Office of (AGO)
 PROGRAM: Legal Policy and Administration
 ACTIVITY: Legal Policy and Administration

ITEM TITLE: Establishing a Salary Structure

	1996-97 Biennium		1998-99 Biennium	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund	\$1,800	\$1,800	\$1,890	\$1,890
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

*Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

RATIONALE:

The AGO requests \$3.6 million for the biennium to establish and fund a structure for managing its attorney salary costs. These funds will be used to reduce the significant gap that exists between AGO salaries and those of other public law firms in the Twin Cities area.

The AGO's ability to set attorney salaries at competitive levels and to provide reasonable salary increases is greatly hindered by resource constraints. The lack of a well-planned salary structure is causing the office to have difficulty hiring the best candidates for new positions and, more significantly, is causing us to lose experienced attorneys, dedicated to public service, to other public law firms.

Often, the AGO seeks an attorney with some experience in a particular area of the law in order to carry out a new legislative mandate or to provide an executive agency with a fairly high level of expertise. When we find the right person, however, we are often quite unable to offer an acceptable salary. This has an immediate and direct impact on our ability to carry out our legal responsibilities efficiently and capably.

In addition to having difficulties in hiring experienced attorneys, we are losing staff attorneys to other Twin Cities public law firms. These firms can provide significantly higher salaries and promise a greater likelihood of regular salary increases. In 1994, the AGO conducted a thorough

survey of such offices as the city attorneys in St. Paul and Minneapolis and county attorneys in Hennepin, Ramsey and Anoka, and discovered that the salary gap is quite real.

For example, at the 5-year and 10-year levels, AGO attorney salaries fall below those at other area offices by 24-30%, on average:

Public Office	Avg Salary:	
	5-Year	10-Year
U.S. Attorney	\$57,000	\$71,236
Ramsey County	\$67,350	n/a
Hennepin County	\$42,234	\$68,760
Henn. Public Defender	\$46,698	\$65,064
Average of above	\$53,320	\$68,353
ATTORNEY GENERAL	\$40,289	\$47,783
Percent below average	24.4%	30.1%

The main group affected by this initiative includes attorneys who have been with the office for between 3 and 10 years. This is the point at which attorneys require less training and can work more independently, and it is the point at which many fine attorneys are leaving the AGO. In many diverse areas the AGO and the people we serve have recently felt the negative impacts of staff turnover.

The resources requested in this initiative will help us to reduce the salary gap dramatically but will not close it. The majority of the funds will be used to increase salaries for attorneys in the law school class years 1985-1991, where the gap is most detrimental to the quality of our services. In F.Y. 1995, this group includes about 65 of the AGO's 218 attorneys. Resources also will be dedicated to bringing the salaries of other year-groups into line with the marketplace in which we compete, but the clear emphasis of this restructuring will be in the areas in which we have experienced the greatest losses.

Without this correction, the AGO will not be able to retain its capable attorneys or fill key vacancies with the qualified individuals our work requires. In addition, the continued and increasing turnover will result in: greater costs of recruitment, training and supervision; slower response time to requests from client agencies, the legislature, citizens and other recipients of our services; and, perhaps most costly, a loss of confidence in the ability of the AGO to respond to the changing demands placed on this office.

PROGRAM OUTCOMES:

This restructuring will allow the AGO to attract and retain qualified and capable staff members through their early training years and into their peak performance range, when they are of greatest service to citizens and our client agencies.

We will lose fewer attorneys to other public law firms and will spend less time and money training replacement attorneys and coping with the strains caused by staff turnover. We will be better able to develop stable relationships with client agencies and deliver more of the reasoned and thoughtful advice that experience can bring.

LONG-TERM IMPACT:

This initiative will enable the AGO to accomplish several important objectives. We will: (1) more successfully retain valuable staff attorneys; (2) more successfully recruit attorneys to fill vacancies requiring specialized expertise; and (3) reduce the costs of turnover and its negative effects on the agencies and citizens we serve.

In addition, we will develop a systematic guide for office-wide attorney salary decisions and create a thoughtful and responsible basis for strategic salary planning and budgeting. These activities will ensure that we are serving as thoughtful and prudent managers of the public monies entrusted to us.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Attorney General, Office of (AGO)
PROGRAM: Legal Policy and Administration
ACTIVITY: Legal Policy and Administration

ITEM TITLE: Administrative Services Support

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund	\$190	\$190	\$200	\$200
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statutes(s) affected:

*Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

RATIONALE:

The Attorney General's Office (AGO) requests \$380,000 for the biennium to enhance the ability of the administrative services staff to meet the growing needs of the AGO. This request focuses on personnel, accounting and library services.

There are 4 main drivers of the workload facing this small team in F.Y. 1995: 1) a growing AGO staff; 2) a busier AGO staff; 3) increased turnover; and 4) the implementation of the statewide systems project. We find it increasingly difficult to weather the normal cycles of each pay period, fiscal year and biennium, and our difficulties affect the ability of the entire office to manage its affairs prudently and responsibly.

Growing Staff. The AGO has grown significantly in recent years and numbers 444 full-time equivalents (FTE's) in F.Y. 1995.

Each new staff member requires the following services from administrative staff: An orientation to state employment and benefits; completion of payroll and benefit forms; space assignment, telephone, mail and e-mail services and computer support; inclusion in the docketing system and our on-line library services; and a thorough, day-long orientation to all of the office's administrative systems. Once the person is on staff, the administrative staff manages many functions. For example, we administer the union contracts and pay plans and manage safety and workers compensation programs. We process a bi-weekly payroll, maintain all timekeeping and billing information, help staff conduct their library research effectively and manage all computer training, troubleshooting and improvements. We are charged with all of the financial reporting and control duties of the office.

All of these activities are critical to the ongoing operations of this large law office: We have very little discretion about whether we will perform this work. Many of these services require prompt attention and resolution if we are to meet the expectations of staff members, client agencies, vendors and our colleagues in the Departments of Finance, Administration and Employee Relations.

However, in several areas our performance is showing great strain. Our expense reimbursement turn-around time has decreased. We are unable to meet the state requirement that 98% of bills be paid promptly: we are at about 92%. Our overtime costs are rising. At peak times of year, such as fiscal year-end, the stresses become nearly unbearable.

Busier Staff. In addition to coping with the press of new staff members, we are facilitating the work of a more active AGO staff. For instance, since F.Y. 1993, we have seen a 10% increase in time report entries and in our docketing caseload. Accounting staff pay significantly more bills and process more expense reports than they did in F.Y. 1993. This is evidence of an AGO staff doing more work, on more cases, and incurring more expenses to carry out that work professionally and effectively.

Turnover. The third factor in the increased workload is a higher rate of turnover among the AGO staff. For every temporary or permanent staff person who leaves the office, administrative services personnel must handle the closing of all payroll and benefit files, adjust docketing, computer and library systems and conduct appropriate exit interviews. Then we must support the hiring of either a temporary or permanent replacement, and the cycle begins again. In 2 fiscal years (F.Y. 1993-94), the AGO hired 170 new staff members and saw another 110 leave the staff. We work diligently to minimize the disruption this turnover causes, but it does increase our administration workload and interferes with the ongoing support work of the office.

Statewide systems project (SSP). The administrative services staff supports the use of information technology to advance the office's objectives and to make our work more efficient. SSP will undoubtedly bring improvements in our personnel, accounting and procurement areas. However, the implementation of this system will cause a tremendous upheaval in our day-to-day work and will greatly impair our ability to meet the ongoing needs of the AGO.

We have so few staff members that a full-day training session in any one area—say, payroll—truly depletes our ability to process any work in that area that day. In April and June of 1995, administration services staff will go through 522 hours of SSP training: the equivalent of 13 weeks of staff time, during the busiest period in our biennial cycle. Training will continue into the next biennium, when we will need to maintain the quality of our services while SSP is transforming the very systems that those services depend on.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Attorney General, Office of (AGO)
PROGRAM: Legal Policy and Administration
ACTIVITY: Legal Policy and Administration

ITEM TITLE: Administrative Services Support
(Continuation)

In short, without additional resources, we might be able to continue implementing SSP in F.Y. 1996, but only at great expense to our other crucial support functions.

With the resources requested in this initiative, we propose to add 4 personnel: A clerk-typist, a personnel aide, a purchasing/accounting clerk and a librarian. The clerk-typist will support the administrative services group, while the other positions will allow us to add depth in areas currently under great pressure.

Accounting/Personnel: This proposal will increase the accounting/purchasing team from 2.3 to 3.5 FTE's and the personnel team from 2.5 to 3.0 FTE's. This will still leave us below the support level of several other similarly sized state agencies.

Library: We have found that in the private sector, a law library the size of ours would have a staff of 5.0 to 7.0 FTE's; we currently have 2.5 FTE's. This proposal would bring this number to 3.8 FTE's.

PROGRAM OUTCOMES:

The administrative services staff will be better able to respond promptly to requests for services, handle the normal budget and payroll cycles without undue overtime costs and implement the new statewide systems project with minimal disruption to our ongoing support efforts. We will be able to cross-train staff members so that temporary absences will not impair the day-to-day operations of the office.

All staff members of the AGO will benefit from this enhancement, as will our vendors, client agencies and our colleagues in the administrative agencies.

We will show: a reduction in our overtime costs; compliance with state prompt payment guidelines; faster turn-around in reimbursement of staff expenses; and fewer errors in conducting transactions. We will react to and resolve financial and personnel issues more quickly, which will keep conflicts from worsening and will ultimately save work hours. We will provide more proactive training on such pressing issues as safety, conflict resolution, performance evaluation and diversity awareness. And finally, we will keep library resources up-to-date and available, while helping individual staff members with special and time-sensitive requests.

LONG-TERM IMPACT:

This enhancement will allow the AGO to continue to take on work of increasing complexity without undue strain or administrative complications. A staff of 444 FTE's requires capable and responsive administrative services; as the demands of that staff grow, so too must the support structure on which the group depends.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Attorney General, Office of (AGO)
 PROGRAM: Legal Policy and Administration
 ACTIVITY: Legal Policy and Administration

ITEM TITLE: Information Systems Enhancement

	1996-97 Biennium		1998-99 Biennium	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund	\$2,762	\$509	\$519	\$519
GOVERNOR'S RECOMMENDATION				
Expenditures: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

* Non-Executive Branches of Government

GOVERNOR'S RECOMMENDATION: Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any requests in excess of current spending levels from unallocated balances in the General Fund.

RATIONALE: The AGO requests \$3.27 million for the biennium to upgrade the office's information systems in order to improve the quality and efficiency of the legal services we provide.

Our client agencies' need for legal services in increasingly complex areas continues to rise, simultaneously with the public's demand for greater efficiency, productivity and accountability. To address both of these trends capably, a large law firm must use appropriate information systems technology. However, the AGO has not been able to maintain its capital investment in its automated systems. This seriously threatens our ability to advance the state's interests most effectively in court.

Budget reductions have caused the AGO to fall behind not only the private law firms with which we compete, but also behind the client agencies we serve. It is crucial to our success that we be able to take advantage of advances in the information systems area, as the executive agencies do, so that we can provide them with the level of expertise they have every right to expect. Our F.Y. 1995 information systems budget, at only \$237,000, is under great pressure in supporting 444 staff members.

Systems Proposed: We propose to implement 6 major information management systems to bring the AGO closer to the standards set by client agencies and by private law firms in Minnesota and across the country. The following are the major systems, their estimated biennial cost and their benefits:

1. **Integrated Personal Computer Network;** \$2.39 million. This office-wide network of personal computers (PC's) will improve information processing, decrease training time and reduce the

costs of learning multiple applications. Attorneys will have the option of editing briefs and sharing documents electronically. This will decrease document processing turn-around time and production effort and cost.

- Records management will be automated, providing the ability to: 1) control, archive and locate physical and electronic documents; 2) associate documents to the correct clients, matters or projects; 3) track document drafts, allowing drafts to be shared and edited quickly; 4) provide the appropriate security; and 5) provide faxing capabilities from individual work stations.
2. **Networked Case Management System;** \$246,000. This new system will automate docketing, time-keeping and billing, conflict resolution and records management. The system will provide real-time, on-line information, allowing the tracking of such events as court dates and meetings. It will automatically key document creation based on pre-established reminders.
3. **Automated Litigation Support;** \$314,000. This support system, using imaging and full-text searching, will provide automated capability to search discovery documents, case-related briefs and transcripts in support of litigation. An additional capability is the on-site archiving of documents.
4. **Networked Server for Library Reference;** \$65,000. This library support system will provide simultaneous access to publications from users' desks. The use of some expensive on-line legal research databases can be decreased by subscribing to the publications on compact disk-read-only memory (CD-ROM). More and more publishers are offering their publications at a lower rate in this format than in print, while some are offering selected publications in CD-ROM format only.
5. **Scanning of Documents for Consumer Services and Citizen Mail;** \$106,000. The complaint mediation group handles about 12,000 written complaints, information requests and referral matters each year. An informal survey of the mediators indicates that they spend 20% of their time searching for and moving the paper files they maintain on these matters.

Scanning will allow the division to become nearly paperless. Each file will be simultaneously accessible by several users: a mediator could handle a complaint while an investigator perused the file for law enforcement purposes. This will result in an immediate 15-20% gain in productivity.

6. **Automated Document Creation;** \$145,000. This will simplify the drafting of complex legal documents. As a staff member answers a series of questions, this system produces a standardized draft document requiring minor editing. Productivity will increase, as will accuracy and consistency.

Staffing Proposed: We propose to add 5 additional staff members: a network administrator, a trainer who also provides application support, a database developer, a document coder and a data entry operator/scanner. The current information systems staffing level is 3.0 FTE's; this proposal will increase this to 8.0 FTE's. The AGO will still be somewhat below the levels of other state agencies.

PROGRAM OUTCOMES: We will improve the quality of our legal services, increase caseload capabilities, decrease case backlog and legal services turn-around time and increase our management ability, while maintaining responsible attorney and staffing levels.

Client agencies, the legislature, executive departments and boards, the citizens of Minnesota and the AGO staff will all benefit from this initiative.

LONG-TERM IMPACT: This enhancement will allow the AGO to better advance the state's interests in court and to serve citizens and client agencies more quickly and capably. We will be able to continue to take on work of increasing complexity without undue strain or the need to increase the total staff size as rapidly as in the past. And finally, the AGO will be in a position to absorb new technological advances as they become industry standards, allowing the AGO to maintain its competitiveness and its service levels.

PROGRAM: Business Regulation
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The Business Regulation Section protects Minnesota citizens against discrimination in important transactions such as employment and housing, protects children from abuse by licensed teachers, puts a stop to deceptive practices in the financial services, gambling and charities industries, ensures affordable access to quality utility services and provides legal representation to over 20 state agencies. The issues associated with these activities are described below.

- **Charities** - Charities are a big and growing business. Last year, charities collected contributions of over \$2.5 billion from Minnesotans. Since 1986, the number of organizations registered with the AGO has nearly doubled (from 2,600 to 4,900) and the value of their assets has more than tripled, to over \$25 billion. This money is held in trust for the benefit of the public. The Attorney General is the only public official with the authority to ensure that charities operating in Minnesota are raising, spending and investing their money legally.
- **Commerce and Gambling** - Gambling has also become big business in Minnesota. Vigorous enforcement of the state's gambling laws is critical to ensuring the integrity and fairness of legal gambling and continued revenue to the state and other recipients of gambling proceeds. In the financial services industry, fraudulent conduct by insurance agents, securities broker-dealers, real estate brokers and others threatens the financial well-being of consumers. When investigations by the Department of Commerce or by gambling regulators such as the Gambling Control Board establish that illegal conduct has occurred, this division acts to stop the conduct, discipline those responsible and obtain restitution for injured victims.
- **Education** - This division provides legal services to 13 state agencies, including the Board of Teaching, the Community College System (18 campuses), the State University System (7 campuses), the Higher Education Board, the Department of Education and the Department of Economic Security. We provide legal advice and representation in the planning and implementation of the impending merger of the higher education system. This division also works to promote safe schools through investigation of teacher misconduct, prevent sexual harassment and sexual violence and ensure veterans' preference rights.
- **Human Rights** - Illegal discrimination deprives Minnesota citizens of basic necessities such as employment, education, housing and access to public accommodations. This division acts to protect the public against all forms of illegal discrimination through conciliation and, when necessary, litigation. The division recovers damages from violators and obtains injunctions prohibiting violators from continuing their discriminatory practices.
- **Telecommunications and Energy** - Telephone, electricity and natural gas bills are major monthly expenses for most of us. Individuals, however, cannot negotiate cheaper rates or better services because the companies that deliver these products are monopolies. Rates and quality of service issues are determined not by the marketplace but by the Public Utilities Commission (PUC) based on contested hearings. This division, on behalf of the Department of Public Service, represents the general public interest of all ratepayers in these hearings before the PUC. The division also addresses such matters as the effect of utility operations on economic development, the environment and resource conservation.
- **Residential and Small Business Utilities** - Residential and small business customers of utilities companies cannot afford to participate effectively in contested hearings before the PUC. Therefore, we represent these customers, who interests often conflict with those of larger customers. The division protects small customers from unreasonable price increases, decreased service quality and deceptive business practices. In addition, we work to shape an

energy future for the state that will include both cleaner and cheaper forms of energy. Since its inception in 1983, this division has saved over \$800 million for utilities customers, a return of 14,000% on each tax dollar invested.

PROGRAM STATUS:

The Business Regulation Section has experienced increasing demand for all of its services and expects this pressure to continue in F.Y. 1996-97. Some particular accomplishments and significant trends of the past several years appear below.

- **Charities** - To ensure that the billions of dollars held by the 4,900 organizations registered with this division actually serve the charitable purposes intended by donors, the division investigates allegations of misconduct on the part of charities and their fundraisers. For example, a division investigation revealed that a Texas-based fundraiser had diverted \$136,000 raised in the Fargo-Moorhead area to pay for a liver transplant needed to save the life of an 8-year old child. The division sued the fundraiser and recovered the missing money, plus an additional \$200,000 that had been taken from funds raised for other youngsters' medical treatment.
- In addition to bringing enforcement actions, the division has stepped up its public education efforts to inform citizens and charities of their legal rights and obligations. For example, in F.Y. 1994 the division distributed over 7,500 copies of a booklet explaining the fiduciary duties of directors of nonprofit corporations.
- **Commerce and Gambling** - The quantity and complexity of legal work for the Lawful Gambling Board has increased steadily in the past 2 years. As an example, the Hibbing VFW Post 8510 case, currently pending before the Minnesota Court of Appeals, required a 2-week hearing to prove that the gambling organization had violated a number of gambling statutes, including filing false reports, intentionally gambling without a license and failing to account of over \$225,000 in charitable gambling receipts. Another recent case was a constitutional challenge to the state's charitable gambling laws. The division successfully defended these laws, thus preserving the state's annual receipt of \$57 million in charitable gambling taxes. Demand for the division's services in other areas has varied: legal work for the Commerce Department and the Minnesota Lottery has been constant, work in the Indian gaming and Petrofund areas has increased and work for the Racing Commission has declined.
 - **Education** - The merger of the State Universities, the Community Colleges and the Technical Colleges will occur on 7-1-95. During F.Y. 1995, the division is expending considerable resources to prepare for the merger. In F.Y. 1996-97, we will assume responsibility for representation of the merged system, including the 34 Technical College campuses that previously received their legal services from private attorneys. The Board of Teaching also continues to generate more legal work. Complaints against licensed teachers have increased sixfold since 1989, when school districts were first mandated to report teachers who were 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 from 17 new complaint files in F.Y. 1989 to 108 in F.Y. 1994.
 - **Human Rights** - Through negotiation and litigation, this division obtains remedies for victims of discrimination. In F.Y. 1993-94, these activities garnered over \$1.3 million for citizens and about \$43,000 in civil penalties for the state. In the WASP litigation, for example, the division obtained \$50,000 for female employees and an agreement to follow policies designed to ensure equal employment opportunities for women. We also obtained agreements to change discriminatory practices in proceedings such as the *Valley Fair* case, in which a large amusement park agreed to eliminate policies which had restricted opportunities for blind patrons to enjoy rides on the same basis as sighted individuals.

1996-97 Biennial Budget

PROGRAM: Business Regulation
AGENCY: Attorney General, Office of (AGO)
 (Continuation)

- **Telecommunications and Energy** - During F.Y. 1993-94, this division represented the Department of Public Service (DPS) in cases that have a potentially profound effect on the environment. In 1993, the largest electric utility in the state filed an integrated resource plan-a blueprint of how it expected to meet its customers' needs for the electricity over the next decade. Division staff members scrutinized the plan and proposed more environmentally benign methods of producing electricity. The division also represented DPS in several rate cases over the last 2 years involving NSP electric and gas, Minnegasco and Vista telephone, helping to ensure that rates are just and reasonable. We also settled investigations of telephone company over-earnings, resulting in telephone rate reductions of approximately \$6.5 million over the last 2 years.
- **Residential and Small Business Utilities** - This division's role as the advocate for the average utilities customer is unique. For example, in a recent rate case, Minnesota Power and Light sought to increase the electric rates of residential and small business customers by 25%. Other parties in the case advocated increases of between 25% and 99% for these customers. However, we advocated a much lower rate, and our evidence and arguments persuaded the administrative law judge to rule that the customers should receive an increase of only 6.58%.

On a critical energy-related matter, the division persuaded the PUC to require NSP to adopt a thorough resource planning process that will better select the cheapest and least polluting energy sources. In addition, this division has seen a substantial increase in the other types of advocacy required to protect consumers. Much of this grows out of the dramatic changes in the telecommunications, gas and electric industries. For example, in response to numerous complaints from members of the public, the division is pursuing stricter state and federal regulations and penalties on companies that provide "pay-per-call" sex talk lines to minors.

PLANNED RESULTS:

The Business Regulation Section is dedicated to achieving its objectives while using public resources prudently. We look for every opportunity to serve the public efficiently, professionally and responsibly. We do, however, feel constrained by current funding levels.

- **Charities** - The legislature has required charities to register with this division and to annually report how they spend their money. The division has had to keep pace with a registration workload that has nearly doubled in 8 years. To keep this registry current and available for public inspection, the division recently installed a new computer system and will further automate its registration process in F.Y. 1995. To increase voluntary compliance, the division is placing increased emphasis on public education, particularly regarding the role of directors and officers as stewards of nonprofit organizations. The division has also maintained its past level of enforcement activity. However, due to limited resources the division has not been able to investigate some complaints or bring some enforcement actions that were warranted.
- **Commerce and Gambling** - The objective of this division is to provide high-quality and timely legal services to the agencies it represents. The accomplishment of this goal will be very difficult within our current budget. For example, the Gambling Control Board anticipates an increase in its need for legal services, and various Indian gaming issues necessitate an enhanced level of legal work. Similarly, the Petrofund, which distributes millions of dollars

to reimburse cleanup costs caused by soil and water contamination, anticipates a need for additional legal services.

- **Education** - In F.Y. 1996-97, the division needs to complete the merger of the State University System, the Community College System and the Technical Colleges and assimilate the Technical Colleges into state government. Legal activity will include providing preventative training for Higher Education Board (HEB) staff and addressing issues relating to real and personal property, employment and bargaining, outstanding bonds, contracts and tort liability. This is new work for the AGO and it cannot be delayed.
- **Human Rights** - Based on its experience during recent years, the division believes that the need for legal services by the Department of Human Rights will remain fairly constant in F.Y. 1996-97.
- **Telecommunications and Energy** - During F.Y. 1996-97, we expect rate cases and rate investigations to take up much of the division's resources. A gas utility and the state's largest electric utility will both have rate proceedings during that period, as will at least 2 telephone companies. Furthermore, U.S. West's current incentive plan will come to an end, which may necessitate a major rate investigation. Conservation and integrated resource planning will continue to be emphasized during this period, with major resource plans filed by the electric utilities. To meet these demands, DPS expects its need for legal services to increase in F.Y. 1996-97.
- **Residential and Small Business Utilities** - During F.Y. 1996-97, the utilities industry will continue to evolve from monopoly to a more competitive environment. These changes will continue to produce an increase in the number and complexity of consumer problems and regulatory issues. This division will continue to represent small customers in advocating fair rates and quality services. In addition, in view of the proliferation of deceptive practices in the telecommunications industry, diligent enforcement actions will likely be necessary to protect customers from such activities as soliciting pay-per-call phone calls from business. Although the division's responsibilities have grown significantly since they were transferred to the AGO in 1983, there has been no corresponding increase in its budget. As a result, we have found it increasingly difficult to provide effective advocacy for the customers we represent.

BUDGET AND REVENUE SUMMARY: This program generates dedicated and non-dedicated revenue.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated - Gen'l	\$848	\$650	\$650	\$-0-	\$-0-
Dedicated - Agency	145	23	23	23	23
Total	\$933	\$673	\$673	\$23	\$23

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 client's programs.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any General Fund requests in excess of current spending levels from unallocated balances in the General Fund.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: BUSINESS REGULATION
ACTIVITY: BUSINESS REGULATION

ACTIVITY SUMMARY				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,489	3,466	3,088	2,979	2,979	2,979	2,979	2,979	2,979
EXPENSES/CONTRACTUAL SRVCS	480	467	470	447	447	447	466	466	466
MISC OPERATING EXPENSES	294	107	85	54	54	54	54	54	54
SUPPLIES/MATERIALS/PARTS	43	52	37	30	30	30	30	30	30
CAPITAL EQUIPMENT	140	3							
OTHER	12								
SUBTOTAL STATE OPERATIONS	4,458	4,095	3,680	3,510	3,510	3,510	3,529	3,529	3,529
TOTAL EXPENDITURES	4,458	4,095	3,680	3,510	3,510	3,510	3,529	3,529	3,529
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,250	4,078	3,679	3,509	3,509	3,509	3,528	3,528	3,528
STATUTORY APPROPRIATIONS:									
AGENCY	208	17	1	1	1	1	1	1	1
TOTAL FINANCING	4,458	4,095	3,680	3,510	3,510	3,510	3,529	3,529	3,529
FTE BY EMPLOYMENT TYPE:									
REGULAR	65.5	65.9	59.4		61.2			61.2	
TEMP/SEAS/PART_TIME	.5	.1	.1						
OVERTIME	.1								
TOTAL FTE	66.1	66.0	59.5		61.2			61.2	

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1996-97 Biennial Budget

PROGRAM: Solicitor General
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The Solicitor General Section is a litigation group which represents state agencies and officials in lawsuits. The work of this group:

- protects the state, its agencies, officials and employees from adverse court judgments;
- provides high-quality litigation representation in a cost-effective manner; and
- where adverse litigation results are likely, limits the extent of the damage as much as possible.

The section includes 6 specialized litigation divisions: Civil Litigation, Construction Litigation, Corrections, Employment Law, Tax Litigation and Torts. The section also includes the Opinions Division, which provides Attorney General opinions to state and local officials.

- **Civil Litigation** - This division defends the constitutionality of state statutes, rules and official actions. 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 division also reviews all of the office's major pleadings and significant appeals briefs before they are filed in order to assure quality and consistency of position.
- **Construction Litigation** - This group advises agencies involved in construction projects and defends the state when contractors, subcontractors and third parties sue. The division also protects taxpayers by filing claims against contractors who perform defective work or otherwise fail to comply with contract requirements. In addition, the division represents agencies when they are defendants in environmental litigation and advises agencies regarding compliance with state and federal environmental laws.
- **Corrections** - The mission of this division is to enhance public safety. The division initiates psychopathic personality commitments at the request of county attorneys outside of Hennepin and Ramsey Counties. The division defends the Department of Corrections (DOC) against numerous lawsuits brought by inmates alleging violation of their constitutional and statutory rights and also responds to legal questions DOC faces in operating and administering an expanding prison system.
- **Employment Law** - With more than 41,000 employees, state government is the largest employer in Minnesota. This division defends against lawsuits initiated by former, current and potential employees. This division also renders legal advice on the myriad employment issues (e.g., affirmative action, health care, personnel decisions, disability issues) faced by the Department of Employee Relations and other agencies and boards.
- **Tax Litigation** - Revenues are the economic lifeblood of the state. This division preserves the integrity of the state's tax system by enforcing compliance with the tax laws. The division represents the Department of Revenue in all court cases appealing tax assessments, seeking refunds or challenging the state's tax laws.
- **Torts** - By investigating, settling or litigating tort claims, this 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.

- **Opinions** - Virtually everyone who contacts the AGO 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, legislative committees and commissions and attorneys for local governments or pension funds. This division reviews requests, determines whether the requests meet jurisdictional requirements and either prepares an informal letter of opinion or publishes a formal opinion.

PROGRAM STATUS:

The Solicitor General Section has had several significant victories during the F.Y. 1994-95 biennium. However, as illustrated below, successful representation of the state's interests is neither necessarily visible in the "won-lost" record of litigation nor measurable in dollars saved.

- **Civil Litigation** - In F.Y. 1994-95, the division successfully defended the constitutionality of the state's education financing laws in *Skeen v. Randall*. A federal district court upheld the MinnesotaCare provider tax against an Employee Retirement Income Security Act (ERISA) preemption challenge in *Boyle v. Anderson*. And in *McMaster v. State* the federal district and appellate courts rejected a claim that inmates are entitled to be paid minimum wage.

However, in constitutional litigation a favorable decision can never be assured. For example, despite winning on several issues in the district court, the division lost an appeal in *Day v. Holahan* and *MCCL v. Holahan*, challenges to various aspects of the campaign financing laws. The division has also handled the Workers' Compensation Reinsurance Association (WCRA) litigation, in which insurance companies have challenged legislation that directed \$400 million in refunds or workers' compensation reinsurance premiums to employers rather than insurance companies.

These cases illustrate that 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 division has aggressively asserted the state's position. Unfortunately, however, this does not assure victory.

- **Construction Litigation** - The division, representing the Department of Transportation (MnDOT), helped save the state over \$30 million in *United States v. Arrowhead Refinery*, a federal Superfund case involving approximately 250 defendants. The cleanup plan recommended by the U.S. EPA for the Arrowhead site was estimated to cost \$60-\$80 million. We played a key role in negotiating acceptance of a modified plan which will instead cost \$28-\$30 million. Similarly, in *McCrossan v. Rehder-Wenzel*, a case involving the collapse of the Lake Street-Marshall Avenue bridge in 1990, MnDOT faced potential liability of over \$5 million. The division has negotiated a settlement which will eliminate MnDOT's exposure to liability and will instead result in MnDOT's receiving \$200,000 to cover its expenses.
- **Corrections** - Since the legislature authorized the Attorney General to initiate psychopathic personality commitments in July 1992, the division has received 26 requests from counties throughout the state. Following evaluation of the referrals, the division successfully initiated commitment proceedings in 7 cases, and 14 matters are currently pending.

This division also handled approximately 250 cases brought by inmates against DOC: a 10% increase over the previous biennium. The division attorneys have consistently succeeded in persuading the courts to dismiss these cases without payment of damages by the state.

1996-97 Biennial Budget

PROGRAM: Solicitor General
AGENCY: Attorney General, Office of (AGO)
 (Continuation)

- **Employment Law** - Employment law cases have become increasingly complex, often involving multiple defendants and numerous claims. Because personal issues are generally at stake, employment litigation is often highly charged and difficult to resolve informally. Nonetheless, the division has won all of its trials thus far in F.Y. 1994-95. In addition, the division has had significant victories solidifying the principles of immunity from suit from government officials in this context.
- **Tax Litigation** - During F.Y. 1994-95, individual and corporate taxpayers have filed 542 appeals and lawsuits in various state and federal courts. The division collected \$14.2 million in tax assessments and defeated \$3.6 million in refund claims. However, these figures underestimate the fiscal impact of the division's work because of the enormous cumulative impact of test cases. For example, the *Meunier* case, in which the division prevailed before the Supreme Court, involved pension income derived from federal obligations. An adverse decision could have resulted in more than \$75 million in additional refund claims plus substantial ongoing revenue losses. Similarly, the *Minnesota Multiple Sclerosis Society* case, in which the division also received a favorable Supreme Court decision, challenged the constitutionality of the charitable gambling combined receipts tax. While the refunds claimed by the parties in that particular case amounted to only a few thousand dollars, an adverse ruling would have resulted in revenue losses of over \$35 million annually.
- **Torts** - During this biennium, this division has handled and closed 138 tort lawsuits and 1,134 tort claims. Agencies represented by the division paid out \$353,357 on claims with an original estimated value of about \$6.2 million. Although the division receives approximately 700 claims annually, only about 50 new lawsuits are filed against the state each year. This indicates that the division efficiently resolves most tort claims before they develop into lawsuits, thus saving the state the significantly higher costs which inevitably result from litigation. In addition, this division's appellate practice successfully defended and refined the state's immunity from many claims and lawsuits involving the operation of the state's parks, the design of state highways and the parole of state prisoners.
- **Opinions** - This division has responded to 114 requests thus far during F.Y. 1994-95, providing advice to state and local units of government on diverse topics, including the taxation of Indian lands, compensation of local officials and gubernatorial vetoes.

PLANNED RESULTS:

In F.Y. 1996-97, the Solicitor General Section will continue to defend increasing numbers of lawsuits against the state in all of our areas of practice. However, current resources are already severely tested by claims we have already received, cases now in preparation for litigation and continued requests to initiate psychopathic personality commitments. We will strive to realize our objectives within these fiscal limitations. Some significant issues in F.Y. 1996-97 are described below.

- **Civil Litigation** - The 1994 election season has created no fewer than 5 suits in federal court challenging various aspects of the state's campaign finance laws. One, *Rosentiel v. Holahan*, challenges the statutory spending limits and all public subsidies. Two others, *Day v. Holahan* and *MCCL v. Holahan* will be appealed to the U.S. Supreme Court in an attempt to salvage the independent expenditure provision of the law.

Challenges to MinnesotaCare will continue to occupy the resources of both the Civil Litigation and Tax Litigation Divisions. In *Boyle v. Anderson*, the office continues to defend the MinnesotaCare provider tax against a claim of ERISA preemption. The case is now on appeal to the federal appellate court. It is likely that whichever side loses will ask for review in the U.S. Supreme Court.

- **Torts** - The number of new claims and lawsuits received by this division has been relatively constant for the past 3 biennia, at about 1,200 claims and 100 lawsuits. However, these figures will undoubtedly increase starting in F.Y. 1996, when the technical colleges merge into the state higher education system and become a state responsibility. In addition, the 1994 fatal accident which occurred on I-94 near Alexandria and involved a state snowplow has spawned multiple cases which will continue at least into F.Y. 1996.
- **Corrections** - Minnesota's prison population continues to increase by approximately 300 inmates per year. These increases, combined with the inmates' litigious tendencies, significantly affect the workload of this division. In addition, recent Supreme Court decisions and legislative amendments have made psychopathic personality commitment cases increasingly complex and time-consuming. As a result, this effort has required an internal reallocation of resources in excess of the F.Y. 1992 legislative appropriation. Without the assistance of other divisions in the Solicitor General Section, the Corrections Division would be unable to keep up with the psychopathic personality referrals and DOC defense work.
- **Employment Law** - Employment litigation is a growth area for all employers, and state government is no exception. Recent law changes, such as the creation of the Americans with Disabilities Act, create heightened public awareness of human rights and a corresponding need for increased legal services. Layoffs and reorganizations within state government also lead to litigation. These trends are expected to continue for the foreseeable future.

The Solicitor General Section will provide high-quality legal representation and defense services in a cost-effective manner. However, unless additional resources are available to meet the growing need for these services, the Attorney General will have to appoint outside counsel to defend such litigation. Although this will add substantially to 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.

BUDGET AND REVENUE SUMMARY: This program generates dedicated and non-dedicated revenue.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated - Gen'l	\$805	\$672	\$672	\$8	\$8

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 and constitutional offices, the Governor respectfully acknowledges the right of the Attorney General to present its budgetary needs directly to the legislature for consideration. The Governor recommends the legislature consider funding any General Fund requests in excess of current spending levels from unallocated balances in the General Fund.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: SOLICITOR GENERAL
ACTIVITY: SOLICITOR GENERAL

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Request	Governor Recomm.	Current Spending	Agency Request	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,882	1,952	3,020	2,924	2,924	2,924	2,924	2,924	2,924
EXPENSES/CONTRACTUAL SRVCS	229	225	380	376	376	376	397	397	397
MISC OPERATING EXPENSES	42	67	73	73	73	73	73	73	73
SUPPLIES/MATERIALS/PARTS	29	28	32	32	32	32	32	32	32
CAPITAL EQUIPMENT	6	4							
SUBTOTAL STATE OPERATIONS	2,188	2,276	3,505	3,405	3,405	3,405	3,426	3,426	3,426
TOTAL EXPENDITURES	2,188	2,276	3,505	3,405	3,405	3,405	3,426	3,426	3,426
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,188	2,276	3,505	3,405	3,405	3,405	3,426	3,426	3,426
TOTAL FINANCING	2,188	2,276	3,505	3,405	3,405	3,405	3,426	3,426	3,426
FTE BY EMPLOYMENT TYPE:									
REGULAR	32.4	34.4	51.8		54.3			54.3	
TEMP/SEAS/PART_TIME	.6	1.5	1.5		1.5			1.5	
TOTAL FTE	33.0	35.9	53.3		55.8			55.8	

1996-97 Biennial Budget

AGENCY: Board of Government Innovation and Cooperation

AGENCY DESCRIPTION:

The Board of Government Innovation and Cooperation was created by the 1993 legislature to assist local government units to work cooperatively and to redesign the services they deliver. The board's long-term goal is to improve the productivity and effectiveness of local government units. The board consists of 3 members of the senate, three members of the house of representatives, 2 administrative law judges, the commissioner of finance, the commissioner of administration, and the state auditor.

Under M.S. 465.796, the board has four primary responsibilities: 1) to consider applications from local government units for waivers of administrative rules and temporary, limited exemptions from enforcement of state procedural laws; 2) to award grants to local government units for innovative service delivery and cooperative ventures; 3) to assist two or more local government units proposing to merge into a single unit of government; and 4) to make recommendations to the legislature regarding the elimination of state mandates that inhibit local government efficiency, innovation, and cooperation. The clientele for these activities includes counties, cities, school districts, towns, and special taxing districts.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The board was appropriated \$1.2 million from the local government trust fund for F.Y. 1994-95; from this appropriation, the board allocated up to \$200,000 for administrative costs for the biennium. \$750,000 was allocated for the grant cycle in F.Y. 1994, and the remaining \$250,000 was allocated for the F.Y. 1995 grant cycle. The board was appropriated an additional \$2.2 million from the general fund for the F.Y. 1995 grant cycle. The board's current spending level for F.Y. 1996-97 is its estimated administrative costs for the biennium.

In planning an administrative budget for F.Y. 1996-97, the board made the following decisions:

- A staffing level of 2.0 FTEs is necessary to adequately carry out the functions of the board.
- The chair of the board provides the host agency for the staff; non-salary/non-grant costs for the board are determined by the host agency. Although the host agency will probably change during F.Y. 1995, the board estimates that its total operating costs will not change substantially.

The following adjustments were made in current spending amounts to determine F.Y. 1996-97 spending levels:

- One time appropriations of \$2.2 million were removed.
- Non-recurring expenditures of \$16,000 were removed.
- Administrative funding of \$127,000 was transferred from the Local Government Trust Fund to the General Fund.

GRANTS:

1. Statutory references: M.S. 465.798-802
2. Purpose of grant program: The board awards grants in three categories:
 - *Service budget management model grants.* One or more applicants are awarded a grant to develop a model for innovative service delivery. The model identifies a new means of providing a service currently being delivered by the applicants, utilizing their existing financial resources and improving the quality of the service.
 - *Cooperation planning grants.* Two or more applicants are awarded a grant to develop a plan for delivering a service or a program through intergovernmental cooperation. Grantees produce a work product that can be replicated by other local government units in the state.
 - *Service sharing grants.* Two or more applicants are awarded a grant to meet the startup costs of providing shared services or functions. The grantees must fully integrate a service or function provided by 2 or more local governments. Agreements solely to make joint purchases are not sufficient to qualify.
3. Recipient identification and eligibility criteria:

Grant applicants may include: a county, city, school district, town, or special taxing district; an association of local governments; a local government in conjunction with the metropolitan council, an organization, or a state agency; or an organization established by 2 or more local governments under a joint powers agreement.

4. Criteria and formulas determining amount of payment to recipient:

To ensure optimal use of available funds, competition is statewide and grants are awarded on the basis of scoring criteria established in statute. Applicants for service budget management model grants and cooperation planning grants are limited by statute to \$50,000, and applicants for service sharing grants are limited to \$100,000. Grant timelines are individually negotiated.

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
5. Source of funding				
Local Government Trust Fund	\$750	\$ 250	\$ -0-	\$ -0-
General	<u>-0-</u>	<u>2,200</u>	<u>-0-</u>	<u>-0-</u>
Total	\$750	\$2,450	\$ -0-	\$ -0-

GOVERNOR'S RECOMMENDATION:

The Governor recommends the elimination of the Board of Government Innovation and Cooperation.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BD OF GOVT INNOV & COOPERATION
PROGRAM: BD OF GOVT INNOV & COOPERATION
ACTIVITY: BD OF GOVT INNOV & COOPERATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES		44	98	109	109		109	109	
EXPENSES/CONTRACTUAL SRVCS		4	288	9	9		9	9	
MISC OPERATING EXPENSES		2	3	5	5		5	5	
SUPPLIES/MATERIALS/PARTS		4	3	3	3		3	3	
CAPITAL EQUIPMENT		3	4	1	1		1	1	
SUBTOTAL STATE OPERATIONS		57	396	127	127		127	127	
LOCAL ASSISTANCE		747	2,200						
TOTAL EXPENDITURES		804	2,596	127	127		127	127	
GOV'S INITIATIVES:									
			FUND						
(A) ELIMINATION OF BOARD			GEN			<127>			<127>
TOTAL GOV'S INITIATIVES						<127>			<127>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST		804	396						
GENERAL			2,200	127	127		127	127	
TOTAL FINANCING		804	2,596	127	127		127	127	
FTE BY EMPLOYMENT TYPE:									
REGULAR		.7	1.8		2.0			2.0	
TOTAL FTE		.7	1.8		2.0			2.0	

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 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: BD OF GOVT INNOV & COOPERATION

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	2,596	2,596	2,200	2,200	396	396		
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<2,453>	<2,453>	<2,200>	<2,200>	<253>	<253>		
NON-RECURRING EXPENDITURES	<16>	<16>			<16>	<16>		
BASE TRANSFER (BTWN FUNDS)			127	127	<127>	<127>		
SUBTOTAL BASE ADJ.	<2,469>	<2,469>	<2,073>	<2,073>	<396>	<396>		
CURRENT SPENDING	127	127	127	127				

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Board of Government Innovation and Cooperation
PROGRAM: Board of Government Innovation and Cooperation
ACTIVITY: Board of Government Innovation and Cooperation

ITEM TITLE: Elimination of Board

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$ (127)	\$ (127)	\$ (127)	\$ (127)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the elimination of the Board of Government Innovation and Cooperation.

RATIONALE:

While the goals of the board -- to improve the productivity and effectiveness of local government units -- are both legitimate and useful, the Governor is proposing a bill which will change the distribution of local aid dollars to achieve the same goals as the grant-making function of the board. The Governor's legislation will combine various local government aids into one grant to counties, which will then distribute the aids to local jurisdictions through a governing structure composed of members of those jurisdictions. By combining these aids, and allocating them through a joint governance structure, the Governor's proposal will provide incentives for local units of government to achieve operating efficiencies through cooperation in the provision of government services and consolidation of government functions.

To continue to provide the rule and law waiver function supplied by the board, the Governor is introducing legislation that will clarify the obligations and responsibilities of state agencies to provide waivers of procedural rules, and will provide a mechanism to forward substantive issues to the legislature for possible legislative action.

AGENCY: Ethical Practices Board

AGENCY DESCRIPTION:

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 action, administrative action, and the official action 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.

REVENUES:

This activity generates dedicated revenue from copy fees and non-dedicated revenue from fines and penalties.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue:					
Dedicated - General	8	6	8	6	8
Non-dedicated - Gen'l	88	27	43	11	65

EXPLANATION OF AGENCY'S BUDGET PLAN:

The board's plan includes a 3% inflationary increase on non-salary expenses each year.

The board will continue to monitor compliance with M.S. 10A, educate clients, and attempt to effect timely compliance with disclosure.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The board continues to experience a dramatic increase in the number of clients registering with and reporting to the board and requesting advisory opinion of the board. 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 continues to be concerned with the public's perception of and confidence in the state's elected officials.

To help offset costs of increased client load, the board continues to recommend 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.

GOALS AND OBJECTIVES:

The board's primary objective is to ensure and increase the timely and accurate filing of required documents as stated above.

WORKLOAD/EFFICIENCY MEASUREMENTS:

Board staff will attempt to secure and make available timely accurate filing of statements and reports required by statute. The percentage of campaign finance reports that needed to be amended decreased from 12% in non-election year 1991 to 8% in non-election year 1993. The board will continue to 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 a public subsidy. The board will continue to 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 1990 election, 3 candidates exceeded the expenditure limits; in the 1992 election, only 2 candidates exceeded the expenditure limits (total: 5). Contribution limits were exceeded by 7 candidate committees in 1990 and 4 candidate committees in 1992 (total: 11). The board will continue to monitor the level of compliance. In addition, the board will track the number of individuals who make contributions in excess of \$100 to M.S. 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.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ETHICAL PRACTICES BOARD
PROGRAM: ETHICAL PRACTICES BD

ACTIVITY RESOURCE ALLOCATION:	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ETHICAL PRACTICES BD	357	418	461	445	449	449	447	454	454
PUBLIC FINANCING	2,710	97	4,400	119	119	119	4,508	4,508	4,508
TOTAL EXPENDITURES BY ACTIVITY	3,067	515	4,861	564	568	568	4,955	4,962	4,962
AGENCY PLAN ITEMS:									
			FUND						
3% SMALL AGENCY ADJUSTMENT			GEN		4			7	
TOTAL AGENCY PLAN ITEMS					4			7	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	349	411	453	437	441	441	439	446	446
OPEN APPROPRIATIONS:									
GENERAL		4	20	4	4	4	20	20	20
STATUTORY APPROPRIATIONS:									
GENERAL	8	7	8	8	8	8	8	8	8
SPECIAL REVENUE	2,710	93	4,380	115	115	115	4,488	4,488	4,488
TOTAL FINANCING	3,067	515	4,861	564	568	568	4,955	4,962	4,962
FTE BY EMPLOYMENT TYPE:									
REGULAR	6.0	6.3	8.0		8.0			8.0	
TEMP/SEAS/PART_TIME	.2	.3	.4		.4			.4	
TOTAL FTE	6.2	6.6	8.4		8.4	8.4		8.4	8.4

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

AGENCY: ETHICAL PRACTICES BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	4,861	4,861	481	481	4,380	4,380		
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<23>	<23>	<23>	<23>				
DED STAT APPROP SPENDING	<4,281>	108	<16>		<4,265>	108		
DOCUMENTED RENT/LEASE INC/DEC	7	9	7	9				
SUBTOTAL BASE ADJ.	<4,297>	94	<32>	<14>	<4,265>	108		
CURRENT SPENDING	564	4,955	449	467	115	4,488		

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**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: State Board of Investment

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$2,079	\$2,079	\$4,158
<u>BASE ADJUSTMENT:</u>			
Appropriations carried forward	(41)	(41)	(82)
Documented rent/lease increase	3	6	9
Attorney General costs	<u>(6)</u>	<u>(6)</u>	<u>(12)</u>
<u>CURRENT SPENDING</u>	\$2,035	\$2,038	\$4,073
<u>AGENCY DECISION ITEMS:</u>			
Non-salary operating inflation	<u>17</u>	<u>15</u>	<u>32</u>
<u>AGENCY PLAN</u>	\$2,052	\$2,053	\$4,105
<u>GOVERNOR'S INITIATIVES:</u>			
	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>
GOVERNOR'S RECOMMENDATIONS	\$2,052	\$2,053	\$4,105

Brief Explanation of Agency Plan:

The agency expects that it can continue to deliver the same level of investment services to the state within the base level appropriation plus an adjustment for inflation.

As reflected in the Revenue Summary section below, the net impact upon the General Fund of providing an inflationary adjustment to the Board of Investment is very marginal. With over \$23 billion in assets under management, even a minor impairment of the Board's ability to maximize returns due to insufficient staff or other resources could have significant impacts on state operating and retirement funds from a cost/benefit perspective.

Revenue Summary:

By statute, the State Board of Investment bills the statewide retirement funds and non-General Fund cash accounts for the indirect costs incurred by the General Fund to invest those other assets. The assessment, deposited in the General Fund as non-dedicated receipts, amounts to approximately 90% of the General Fund annual operating appropriation to the Investment Board, which implies a 10% *net* impact to the General Fund for any change in appropriations.

Base level appropriations	\$2,035,000	\$2,038,000
Assessment revenue from non-General Funds	<u>1,832,000</u>	<u>1,834,000</u>
Net General Fund expenditure for operations	\$203,000	\$204,000

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency plan.

1996-97 Biennial Budget

AGENCY: State Board of Investment (SBI)

AGENCY DESCRIPTION:

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 and pension assets...will be responsibly invested to maximize the total rate of return without incurring undue risk." (M.S. Sec. 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 the Supplemental Investment Fund. In addition, the SBI manages Invested Treasurer's Cash and approximately 50 other state cash accounts. On 6-30-94, assets managed by the board totaled \$22.8 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 (PERA, TRA, MSRS). For cash accounts, the board's largest clients are the State Treasurer and the Department of Finance.

All activities of the board are governed by M.S. Chapter 11A and Chapter 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.

Externally managed funds. Assets of the Basic Retirement Funds, Post Retirement Fund and the

Supplemental Investment Fund (approximately 85% 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 nine 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 Fiscal Years 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 have been 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 designated 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 the fund's assets in a blend of fixed income securities and a common stock index account. 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 two commingled short-term investment pools. The objectives of these pooled funds are to preserve capital, to provide a high level of current income

1996-97 Biennial Budget

AGENCY: State Board of Investment
(Continuation)

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.

EXPLANATION OF AGENCY BUDGET PLAN:

In past biennium the SBI absorbed the inflation cost increases in all areas except salaries. By re-prioritizing expenditures, SBI should be able to absorb 1996-97 non-salary inflationary costs without impacting programs dramatically. The SBI cannot absorb projected salary increases.

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 will result in a matching reduction in revenue to the General Fund, and reduced billings to non-general fund accounts.

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 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

	6/30/94 (Millions)	Period Ending 6/30/94		
		1 Year (%)	Annualized 3 Years (%)	Annualized 5 Years (%)
Basic Funds:	\$9,688	2.1	10.1	9.6
Market composite		2.4	9.4	9.1
Median Fund		2.4	9.8	9.4
Inflation (CPI)		2.5	2.9	3.6
Actuarial assumption		8.5	8.5	8.5
Post Fund:	8,772	1.6	NA	NA
Market composite		1.6	NA	NA
Actuarial assumption		5.0	5.0	5.0
Benefit increase		3.3*	4.6	4.6
Inflation (CPI)		2.5	2.9	3.6
Supplemental Fund:				
Income Share	280	1.2	9.5	9.6

Median fund		2.4	9.8	9.4
Growth Share	102	.6	10.4	9.3
Median manager		3.7	11.0	10.4
Common Stock Index	47	2.2	10.8	10.3
Wilshire 5000		.9	10.0	9.8
Bond Market	21	(1.8)	9.2	9.0
Salomon BIG		(1.2)	8.1	8.6
Money Market	58	3.4	4.0	5.7
91 Day T-Bills		3.3	3.7	5.2
Fixed Interest	68	6.6	NA	NA
Contract period			91-94 GIC	
Assigned Risk Plan	445	.6	7.6	NA
Market composite		.6	7.2	NA
State Cash Accounts				
Treasurer's Pool	29.5	3.0	4.8	NA
Trust Pool	57	3.6	4.7	NA
91 day T-bill		3.3	3.7	NA
* Estimate				
		<u>F.Y. 1995</u> <u>Earnings Est.</u>	<u>F.Y. 1994</u> <u>Earnings</u>	<u>F.Y. 1993</u> <u>Earnings</u>
Permanent School	416	35.0 M	33.3 M	32.0 M
Environmental Trust	73	2.9 M	1.4 M	1.2 M

BASIC RETIREMENT FUNDS
Market Value 6/30/94: \$9.688 Billion

	Period Ending 6/30/94		
	1 Year	Annualized 3 Years	Annualized 5 Years
Basic Funds	2.1%	10.1%	9.6%
Comparisons:			
Market Composite	2.4%	9.4%	9.1%
TUCS Median Fund	2.4%	9.8%	9.4%
Inflation (CPI)	2.5%	2.9%	3.6%
Actuarial Assumption	8.5%	8.5%	8.5%

The Basic Retirement Funds contain the assets of active employees in the three statewide retirement systems: MSRS, PERA, and TRA. The asset mix of the portfolio on 6/30/94 was 60% stocks, 24% bonds, 1% cash and 15% alternative assets (real estate, venture capital and resource funds).

For F.Y. 1994, the Basic Funds trailed their market composite index and the median fund in the Trust Universe Comparison Service (TUCS) by .3 percentage points. Below market performance

AGENCY: State Board of Investment
(Continuation)

by both the stock and bond managers contributed to the unfavorable returns.

Generally, performance over the longer term has been favorable. Over the latest 3 and 5 year periods, the Basic Funds have exceeded their market index composite by nearly 0.5 % annualized, and the median fund by approximately 0.2%. The Basic Funds continue to keep well ahead of the inflation rate and have surpassed the actuarially assumed rate of return as well over the long term.

POST RETIREMENT INVESTMENT FUND
Market Value on 6/30/94: \$8.772 Billion

	Period Ending 6/30/94		
	<u>1 Year</u>	<u>Annualized 3 Years</u>	<u>Annualized 5 Years</u>
Post Fund	1.6%	NA	NA
Actuarial Assumption	5.0%	5.0%	5.0%
Benefit Increase Granted	3.3%*	4.6%	4.6%
Inflation (CPI)	2.5%	2.9%	3.6%

* Estimated

The Post Retirement Investment Funds contain the assets of retired employees in the 3 statewide retirement plans: MSRS, PERA, TRA. The asset mix of the portfolio on 6/30/94 was 60% stocks, 37% bonds and 3% 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. In fact, the benefit increases granted were among the highest in the nation. However, as interest rates fell during the 1980s, 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 is 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 Post 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, has allowed the Post Fund to increase its exposure to stocks and should increase the long term

growth potential of its assets.

SUPPLEMENTAL INVESTMENT FUND

	Market Value 6/30/94	Period Ending 6/30/94		Annualized 5 Years
		<u>1 Year</u>	<u>Annualized 3 Years</u>	
Income Share Account	\$280 M	1.2%	9.5%	9.6%
TUCS Median Fund		2.4%	9.8%	9.4%
Growth Share Account	\$102 M	.6%	10.4%	9.3%
TUCS Median Stock Mgr.		3.7%	11.0%	10.4%
Common Stock Index Account	\$47 M	2.2%	10.8%	10.3%
Wilshire 5000 Stock Index		.9%	10.0%	9.8%
Bond Market Account	\$21 M	(1.8)%	9.2%	9.0%
Salomon Broad Bond Index		(1.2)%	8.1%	8.6%
Money Market Account	\$58 M	3.4%	4.0%	5.7%
91 Day Treasury Bills		3.3%	3.7%	5.2%
Fixed Interest Account	\$68 M	91-94 GIC	92-95 GIC	93-96 GIC
Interest Rate Obtained		6.634%	5.280%	4.65%

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. 1994 was a weak year for the fund. The Growth Share, Income Share and Bond Market Accounts all trailed their performance targets for the year, while the Common Stock Index and Money Market Accounts slightly exceeded their 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 Growth Share Account hurt performance over the same periods relative to the median stock manager.

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 6/30/94: \$ 415.6 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

1996-97 Biennial Budget

AGENCY: State Board of Investment
(Continuation)

Period Ending 6/30/94

	1 Year	3 Year
Actual Return	.6%	7.6%
Comparison:		
Market Composite	.6%	7.2%

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 F.Y. 1996-97.

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.

The Trust Fund Pool holds cash balances for retirement related accounts and trust funds that are not managed by external money managers. The Treasurer's Cash Pool holds the balances in the Invested Treasurer's Cash as well as special or dedicated accounts.

Time Period	Income Generated
F.Y. 1994	\$ 36.0 million
F.Y. 1993	\$ 33.5 million
F.Y. 1992	\$ 33.3 million
F.Y. 1991	\$ 32.3 million
F.Y. 1990	\$ 30.4 million

Period Ending 6/30/94

Environmental Trust Fund
Market Value on 6/30/94: \$ 77.5 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.

The SBI added stocks to the portfolio during F.Y. 1994. Currently, the asset mix of the Trust is targeted at 50% common stocks and 50% fixed income to provide for long term growth.

	Market Value 6/30/94	1 Year	Annualized 3 Years
Treasurers Cash Pool	\$2,915 M	3.0%	4.8%
Trust Fund Cash Pool	\$ 57 M	3.6%	4.7%
Comparison:			
3 Month T-Bill		3.3%	3.7%

Time Period	Income Generated
F.Y. 1995 Est.	\$ 4,006,000
F.Y. 1994	\$ 3,936,000
F.Y. 1993	\$ 3,321,000

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

Assigned Risk Plan
Market Value on 6/30/94: \$ 444.6 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 Dept. of Commerce. Investment management responsibility for the assets of the plan was transferred to the SBI by the Legislature in 1991.

The investment goals of the Plan are to match the projected liability/payment stream and to provide sufficient liquidity/cash for payment of 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. 1994. This allocation is reviewed annually upon receipt of new actuarial valuations and will be changed to reflect changes in plan liabilities.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BOARD OF INVESTMENT

PROGRAM RESOURCE ALLOCATION:	Est.			FY 1996			FY 1997		
	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
INVESTMENT OF FUNDS	1,967	1,975	2,079	2,035	2,052	2,052	2,038	2,053	2,053
REFUNDS/RETIRE FUNDS	18,241	30,810	34,865	34,865	34,865	34,865	34,865	34,865	34,865
TOTAL EXPENDITURES BY PROGRAM	20,208	32,785	36,944	36,900	36,917	36,917	36,903	36,918	36,918
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,967	1,975	2,079	2,035	2,052	2,052	2,038	2,053	2,053
OPEN APPROPRIATIONS:									
MONEY MGR FIXED INC	4,000	7,745	8,000	8,000	8,000	8,000	8,000	8,000	8,000
MONEY MGR EQUITY	12,655	22,050	25,000	25,000	25,000	25,000	25,000	25,000	25,000
STATUTORY APPROPRIATIONS:									
SUPP INVEST INDEX	4	4	4	4	4	4	4	4	4
STATE SUPPL BOND	3	3	3	3	3	3	3	3	3
SUPP INVEST G I C	8	8	8	8	8	8	8	8	8
MONEY MARKET	50	50	50	50	50	50	50	50	50
MN SUPP RET INCOME	100	100	100	100	100	100	100	100	100
MN SUPP RET GROWTH	100	100	100	100	100	100	100	100	100
MN POST RETIREMENT	1,321	750	1,500	1,500	1,500	1,500	1,500	1,500	1,500
SUPP INT'L EQUITY			100	100	100	100	100	100	100
TOTAL FINANCING	20,208	32,785	36,944	36,900	36,917	36,917	36,903	36,918	36,918
FTE BY EMPLOYMENT TYPE:									
REGULAR	24.4	24.1	24.1		24.1			24.1	
TOTAL FTE	24.4	24.1	24.1		24.1	24.1		24.1	24.1

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. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	36,944	36,944	2,079	2,079	34,865	34,865		
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<41>	<41>	<41>	<41>				
DOCUMENTED RENT/LEASE INC/DEC	3	6	3	6				
ATTORNEY GENERAL COSTS	<6>	<6>	<6>	<6>				
SUBTOTAL BASE ADJ.	<44>	<41>	<44>	<41>				
CURRENT SPENDING	36,900	36,903	2,035	2,038	34,865	34,865		

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BOARD OF INVESTMENT
PROGRAM: INVESTMENT OF FUNDS
ACTIVITY: INVESTMENT OF FUNDS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,431	1,447	1,479	1,479	1,479	1,479	1,479	1,479	1,479
EXPENSES/CONTRACTUAL SRVCS	312	381	416	398	410	410	401	411	411
MISC OPERATING EXPENSES	69	71	77	77	82	82	77	82	82
SUPPLIES/MATERIALS/PARTS	59	31	35	35	35	35	35	35	35
CAPITAL EQUIPMENT	96	45	72	46	46	46	46	46	46
SUBTOTAL STATE OPERATIONS	1,967	1,975	2,079	2,035	2,052	2,052	2,038	2,053	2,053
TOTAL EXPENDITURES	1,967	1,975	2,079	2,035	2,052	2,052	2,038	2,053	2,053
AGENCY PLAN ITEMS:									
			FUND						
NON-SALARY OPERATING INFLATION ADJUSTMENT			GEN		17			15	
TOTAL AGENCY PLAN ITEMS					17			15	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,967	1,975	2,079	2,035	2,052	2,052	2,038	2,053	2,053
TOTAL FINANCING	1,967	1,975	2,079	2,035	2,052	2,052	2,038	2,053	2,053
FTE BY EMPLOYMENT TYPE:									
REGULAR	24.4	24.1	24.1		24.1			24.1	
TOTAL FTE	24.4	24.1	24.1		24.1	24.1		24.1	24.1

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BOARD OF INVESTMENT
PROGRAM: REFUNDS/RETIRE FUNDS
ACTIVITY: REFUNDS/RETIRE FUNDS

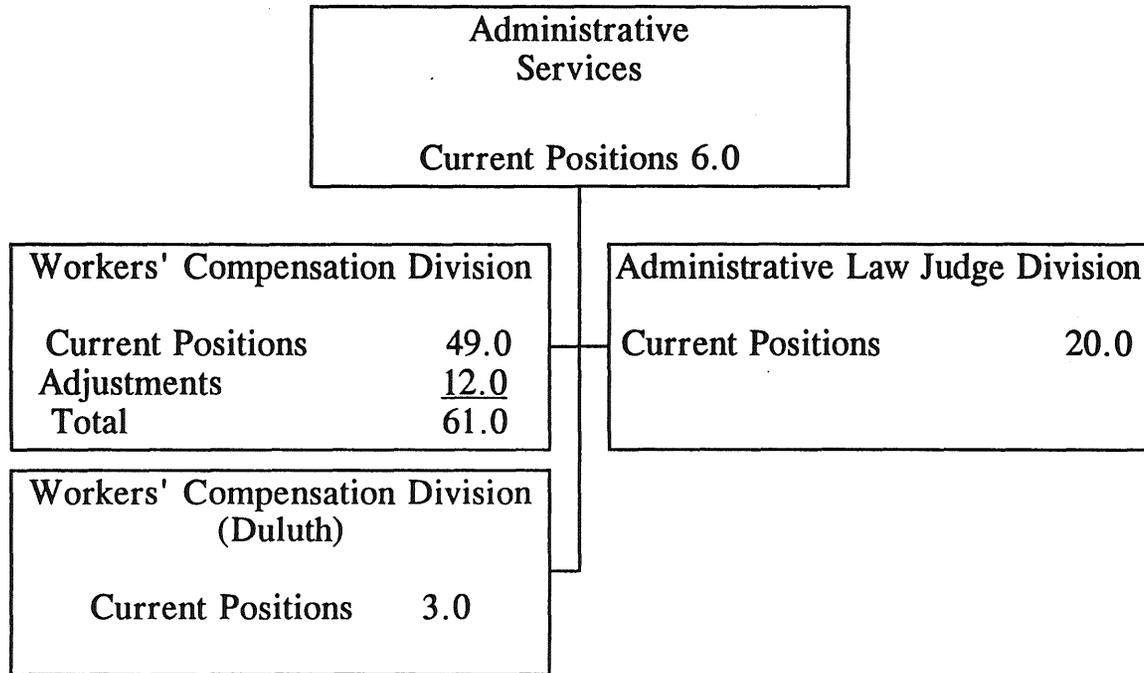
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	1,586	1,015	1,865	1,865	1,865	1,865	1,865	1,865	1,865
SUBTOTAL STATE OPERATIONS	1,586	1,015	1,865	1,865	1,865	1,865	1,865	1,865	1,865
TOTAL EXPENDITURES	1,586	1,015	1,865	1,865	1,865	1,865	1,865	1,865	1,865
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SUPP INVEST INDEX	4	4	4	4	4	4	4	4	4
STATE SUPPL BOND	3	3	3	3	3	3	3	3	3
SUPP INVEST G I C	8	8	8	8	8	8	8	8	8
MONEY MARKET	50	50	50	50	50	50	50	50	50
MN SUPP RET INCOME	100	100	100	100	100	100	100	100	100
MN SUPP RET GROWTH	100	100	100	100	100	100	100	100	100
MN POST RETIREMENT	1,321	750	1,500	1,500	1,500	1,500	1,500	1,500	1,500
SUPP INT'L EQUITY			100	100	100	100	100	100	100
TOTAL FINANCING	1,586	1,015	1,865	1,865	1,865	1,865	1,865	1,865	1,865
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BOARD OF INVESTMENT
PROGRAM: REFUNDS/RETIRE FUNDS
ACTIVITY: EXTERNAL MONEY MANAGERS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	16,655	29,795	33,000	33,000	33,000	33,000	33,000	33,000	33,000
SUBTOTAL STATE OPERATIONS	16,655	29,795	33,000	33,000	33,000	33,000	33,000	33,000	33,000
TOTAL EXPENDITURES	16,655	29,795	33,000	33,000	33,000	33,000	33,000	33,000	33,000
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
MONEY MGR FIXED INC	4,000	7,745	8,000	8,000	8,000	8,000	8,000	8,000	8,000
MONEY MGR EQUITY	12,655	22,050	25,000	25,000	25,000	25,000	25,000	25,000	25,000
TOTAL FINANCING	16,655	29,795	33,000	33,000	33,000	33,000	33,000	33,000	33,000
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

**OFFICE OF ADMINISTRATIVE HEARINGS
ORGANIZATIONAL CHART 7/1/94**



JUNE 30, 1994 FTE EMPLOYEES: 82.3

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Administrative Hearings, Office of

Fund: Workers' Compensation Special

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$3,864	\$3,864	\$7,728
<u>BASE ADJUSTMENT:</u>			
One-time Appropriations	(280)	(280)	(560)
Appropriation Carried Forward	(48)	(48)	(96)
Documented Rent/Lease Inc/Dec	<u>5</u>	<u>10</u>	<u>15</u>
<u>CURRENT SPENDING</u>	\$3,541	\$3,546	\$7,087
<u>AGENCY DECISION ITEMS:</u>			
<u>AGENCY PLAN</u>	\$3,541	\$3,546	\$7,087
<u>GOVERNOR'S INITIATIVES:</u>			
Judges Staff Support	\$180	\$180	\$360
Law Clerks for Compensation Judges	100	100	200
Computer Base	125	-0-	125
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$3,946	\$3,826	\$7,772

Brief Explanation of Agency Plan:

The Workers' Compensation Section will continue to operate at its current level on funding. The funding for law clerks and support staff are listed as initiatives because they were one time appropriations in the last biennium. There is an increase for additional rent that is built into the lease.

Revenue Summary:

Affected Statutes:

- M.S.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency plan and recommends a continuation of biennial funding of \$360,000 for judges staff support and \$200,000 for law clerks for compensation judges. This was funded by the legislature in the 1994-95 session. The Governor also recommends funding of \$125,000 for a computer base for calendaring, which replaces the system that was eliminated by the Department of Labor and Industry.

1996-97 Biennial Budget

AGENCY: Administrative Hearings, Office of

AGENCY DESCRIPTION:

The mission of the Office of Administrative Hearings is to conduct fair, prompt, and impartial hearings and render decisions in 4 main areas:

- Administrative Procedures Act (APA) contested cases and contested rulemaking hearings.
- Local Government licensing and personnel cases.
- Workers' Compensation benefit hearings.
- Child support establishment and enforcement hearings.

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

- to conduct hearings and issue final decisions or recommend final action in state agency rulemaking and contested case hearings in a fair, prompt, and competent manner;
- to provide an expedited process for establishment and enforcement of child support in Minnesota;
- to promptly and efficiently mediate and/or adjudicate contested workers' compensation cases and issue final decisions in cases referred by the Department of Labor and Industry (DOLI).

AGENCY CHALLENGES:

The Office of Administrative Hearings is prepared to provide fair, prompt, and efficient hearings as needed for state agencies, political subdivisions, injured workers and their dependents, employers and their workers' compensation insurance carriers, attorneys, and other citizens whose rights may be affected by state government action. The demand for the services of the Office of Administrative Hearings is increasing, particularly in the areas of establishment and enforcement of child support, and workers' compensation. In addition to deciding approximately 400 APA cases per year, judges from the Office of Administrative Hearings handle approximately 6,200 workers' compensation cases, in addition to over 8,000 child support establishment and enforcement cases. The Office of the Administrative Hearings currently conducts the child support hearings in 39 of Minnesota's 87 counties. As of January 1995, Administrative Law Judges from the Office of Administrative Hearings will be conducting child support establishment and enforcement hearings in 57 of Minnesota's 87 counties.

BUDGET ISSUES:

Currently, the Office of Administrative Hearings sends Workers' Compensation judges to over 20 cities throughout the state to conduct hearings. The Office of Administrative Hearings is currently experimenting with video conferencing workers' compensation hearing as means to reduce travel

expenses. The Office of Administrative Hearings is currently negotiating with a consortium of rural phone companies throughout Minnesota to provide full T-1 transmission video conferencing for Workers' Compensation hearings. The Office of Administrative Hearings would like to explore this concept and potentially reduce future expenditures if successful. The Office of Administrative Hearings would also share this technology with other state agencies.

The APA Section has billed state and local government agencies on a revolving account @ \$86/hr. for the past 5 years. The Office of Administrative Hearings is seeking approval to bill @ \$89/hr. due to increased operating costs.

SUMMARY OF BUDGET REQUEST:

Unlike most state agencies, the Office of Administrative Hearings receives no General Fund appropriations. The Worker's Compensation Division is funded by a direct appropriation from the Workers' Compensation Special Fund. The APA Division operates on a revolving account in which state agencies and political subdivision are billed at an hourly rate for services performed. Cost saving innovations and conservative resource allocation will continue. Compared to the district courts, there is a very low level of support staff at the Office of Administrative Hearings. There are 38.5 staff members supporting 40.0 full-time judges and 30.0 contract, part-time administrative law judges.

During the last biennium, the legislature funded from the Workers' Compensation Special Fund 4.0 support staff positions for the Workers' Compensation due to increased caseload. The Office of Administrative Hearings is asking that in the next biennium these positions be made permanent rather than asking for funding for additional judges.

During the last biennium, the legislature funded positions from the Workers' Compensation Special Fund for 10.0 part-time law clerks for the Workers' Compensation judges. Again, the Office of Administrative Hearings is asking for continued funding of these positions rather than asking for an appropriation for additional judges.

The Office of Administrative Hearings uses the DOLI's MAPPER computer system for calendaring purposes. DOLI is eliminating MAPPER as part of its transition to the DAEDALUS system. The Office of Administrative Hearings is asking for a one-time appropriation from the Workers' Compensation Special Fund of \$125,000 to install a non-MAPPER calendaring system.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan and recommends a continuation of biennial funding of \$360,000 for judges staff support and \$200,000 for law clerks for compensation judges. This was funded by the legislature in the 1994-95 session. The Governor also recommends funding of \$125,000 for a computer base for calendaring, which replaces the system that was eliminated by the Department of Labor and Industry.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATIVE HEARINGS
PROGRAM: ADMINISTRATIVE HEARINGS

ACTIVITY RESOURCE ALLOCATION:	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ADMINISTRATIVE HEARINGS	1,827	2,006	2,064	2,253	2,253	2,253	2,156	2,156	2,156
WORKERS COMPENSATION	3,631	3,786	3,885	3,562	3,562	3,967	3,567	3,567	3,847
TOTAL EXPENDITURES BY ACTIVITY	5,458	5,792	5,949	5,815	5,815	6,220	5,723	5,723	6,003
GOV'S INITIATIVES:									
			FUND						
(B) JUDGES STAFF SUPPORT			WCS			180			180
(B) LAW CLERKS FOR COMPENSATION JUDGES			WCS			100			100
(B) COMPUTER BASE			WCS			125			
TOTAL GOV'S INITIATIVES						405			280
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
WORKERS COMP SPECIAL	3,617	3,756	3,864	3,541	3,541	3,946	3,546	3,546	3,826
STATUTORY APPROPRIATIONS:									
ENTERPRISE	1,841	2,036	2,085	2,274	2,274	2,274	2,177	2,177	2,177
TOTAL FINANCING	5,458	5,792	5,949	5,815	5,815	6,220	5,723	5,723	6,003
FTE BY EMPLOYMENT TYPE:									
REGULAR	75.1	78.2	78.2		74.2			74.2	
TEMP/SEAS/PART_TIME		4.0	4.0						
OVERTIME	.1	.1	.1		.1			.1	
TOTAL FTE	75.2	82.3	82.3		74.3	82.3		74.3	82.3

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

AGENCY: ADMINISTRATIVE HEARINGS

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	5,949	5,949			5,949	5,949		
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<280>	<280>			<280>	<280>		
APPROPRIATIONS CARRIED FWD	<48>	<48>			<48>	<48>		
DED STAT APPROP SPENDING	189	92			189	92		
DOCUMENTED RENT/LEASE INC/DEC	5	10			5	10		
SUBTOTAL BASE ADJ.	<134>	<226>			<134>	<226>		
CURRENT SPENDING	5,815	5,723			5,815	5,723		

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1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

Chapter 14 of Minnesota's statutes requires the Office of Administrative Hearings to conduct contested case and rulemaking hearings for state agencies, and trial type hearings for political subdivisions when it is specified that an administrative law judge preside. In addition, in response to federal mandates that states speed up the establishment and enforcement of child support, administrative law judges from the Office of Administrative Hearings will be conducting child support hearings in 57 of Minnesota's 87 counties.

In addition to child support hearings, administrative law judges conduct all pre-hearing conferences and hearings, complete all necessary legal research, and issue recommendations for final action in contested cases by state agencies. The Office of Administrative Hearings conducts hearings for the state in many areas, including the following areas: human rights cases, OSHA, special education, veterans employment, and licensing.

Most hearings conducted by the Office of Administrative Hearings involve the rights, duties, or privileges of citizens and those doing business with the state. Most contested cases are typically in the areas of employee discipline, human rights, public utility rate increases or activity, securities regulation, the environment, professional licensure, and transportation regulation. Some of the more recent highly publicized cases that were heard by administrative law judges from the Office of Administrative Hearings involve: the storage of spent nuclear fuel rods at the NSP Prairie Island generating plant, former Governor Rudy Perpich's and union representative John Ahler's pensions, AIDS discrimination by a Twin Cities dentist, Mayor of Brooklyn Park Jesse Ventura's residence, the St. Paul firefighters' testing procedure, rulemaking on genetically engineered fruits and vegetables, wet lands regulation, pay equity, and incinerator ash disposal.

BUDGET ISSUES:

During the next biennium, the Administrative Procedures Act (APA) activity of the Office of Administrative Hearing will be responsible for conducting all of the above referenced hearings in addition to over 8,000 child support hearings. The Office of Administrative Hearings is seeking legislative approval to increase its hourly billing rate (which has not increased in 5 years) from \$86 to \$89 per hour.

On average, the APA Division of the Office of Administrative Hearings bills its various agency customers approximately 1,200 hours per month, or approximately 24,000 billable hours per years. That is expected to increase when the Office of Administrative Hearings assumes child support responsibilities in an additional 18 Minnesota counties in 1995.

The most dramatic change that has occurred at the Office of Administrative Hearings' APA Division has been in the area of child support hearings. Due to federal mandates to speed up the rate in which child support is established and enforced, state are increasing obliged to switch to the administrative process in the area of child support.

Rather than hire new full-time administrative law judges (with benefits) to handle our increased child support hearing duties, the Office of Administrative Hearings has expanded its use of contract, part-time administrative law judges. The Office of Administrative Hearings, on yearly contracts, hires experienced family law practitioners who are paid \$55/hr. to conduct child support hearings. They are spread geographically around the state. The 11.0 full-time administrative law judges are still available to conduct child support hearings. The tremendous cost savings in this system is in that as the workload increases, more of the work is farmed out to the contract judges, and when the workload temporarily decreases, more of the work is kept in house. The Office of Administrative Hearings has not had to hire 1.0 additional full-time administrative law judge in the past 10 years.

PLANNED RESULTS:

The Office of Administrative Hearings' activity plan for the APA Section is to continue to provide quality hearing services while minimizing costs as per the agency plan.

The Office of Administrative Hearings continues to not request any General Fund money.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATIVE HEARINGS
PROGRAM: ADMINISTRATIVE HEARINGS
ACTIVITY: ADMINISTRATIVE HEARINGS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,292	1,300	1,388	1,435	1,435	1,435	1,438	1,438	1,438
EXPENSES/CONTRACTUAL SRVCS	432	588	575	617	617	617	617	617	617
MISC OPERATING EXPENSES	49	48	43	43	43	43	43	43	43
SUPPLIES/MATERIALS/PARTS	27	45	25	25	25	25	25	25	25
CAPITAL EQUIPMENT	20	4		100	100	100			
OTHER	7	21	33	33	33	33	33	33	33
SUBTOTAL STATE OPERATIONS	1,827	2,006	2,064	2,253	2,253	2,253	2,156	2,156	2,156
TOTAL EXPENDITURES	1,827	2,006	2,064	2,253	2,253	2,253	2,156	2,156	2,156
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
ENTERPRISE	1,827	2,006	2,064	2,253	2,253	2,253	2,156	2,156	2,156
TOTAL FINANCING	1,827	2,006	2,064	2,253	2,253	2,253	2,156	2,156	2,156
FTE BY EMPLOYMENT TYPE:									
REGULAR	22.1	22.9	22.9		22.9			22.9	
TOTAL FTE	22.1	22.9	22.9		22.9	22.9		22.9	22.9

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION: Workers' Compensation claims which are not resolved at the Department of Labor and Industry (DOLI) are then referred to the Office of Administrative Hearings for trial. The Office of Administrative Hearings is required by statute to conduct all workers' compensation contested cases not settled at DOLI.

Once a contest workers' compensation case arrives at the Office of Administrative Hearings, a workers' compensation judge, with support staff, is required to decide and issue orders granting and denying motions, issue pre-trial orders, schedule and conduct pre-trial hearings and settlement conferences, review all settlement agreements and issue awards on those agreements, conduct trials and issue final decisions, award attorney fees, process all appeals and handle cases remanded from the Workers' Compensation Court of Appeals.

BUDGET ISSUES: The number of workers' compensation cases referred to the Office of Administrative Hearings continues to slowly rise. Rather than create additional judgeships to handle the increased caseload, the legislature has wisely given the Workers' Compensation Section of the Office of Administrative Hearings 4.0 additional support staff members and part-time law clerks and saved the cost of additional judges. As will be shown in subsequent graphs, the number of cases continues to rise, yet due to increased productivity on the part of the Workers' Compensation judges, they are getting their decisions issued faster than ever before with fewer judges.

As illustrated in subsequent graphs, the Workers' Compensation judges at the office of Administrative Hearings are handling more cases, with fewer judges, and getting their decisions out faster than ever before.

The Office of Administrative Hearings has initiated several new methods of increasing productivity and reducing costs:

- Video conferencing. Several Workers' Compensation hearings have already been conducted via video conferencing. So far, all have been between Bemidji and Minneapolis.

Most workers' compensation defense attorneys are located in the Twin Cities area. Twenty-seven of the 29 workers' compensation judges are located in Minneapolis. Two workers' compensation judges are stationed in Duluth. (In 1993, the Office of Administrative Hearings moved an additional workers' compensation judicial position from Minneapolis to Duluth.) Several days a month, workers' compensation judges from the Office of Administrative Hearings have to travel around the state conducting workers' compensation trials. Many times they have to stay overnight, which involves lodging and meal expenses. Hours of time are lost behind the wheel of a car. Travel also increases the Office of Administrative Hearings' exposure to its own workers' compensation costs. If successful, video conferencing offers the promise of reducing workers' compensation costs throughout the entire system by reducing costs for all parties involved.

- Alternative Dispute Resolution. In previous years, the Office of Administrative Hearings has twice a year conducted a "Super Settlement" week to try to resolve workers' compensation

cases without a trial. No cases were set for trial during those 2 weeks, and all the judges were assigned cases for settlement conferences on an hourly basis all week long. On average, approximately 40% of the cases set for settlement conferences were resolved during the "Super Settlement" week.

In the fall of 1994, the Office of Administrative Hearings initiated mandatory alternative dispute resolution training for all workers' compensation judges. All judges were required to attend training put on by the Mediation Center, Inc. Former District Court Judge and now Federal Magistrate Ann Montgomery assisted in the training. When the next "Super Settlement" week was held in November of 1994, the settlement rate went up to approximately 65%. That is about a 25% increase in settled cases. In addition to reducing administrative costs for employers, injured workers, and insurance companies, this increased settlement rate speeds up the time in which injured workers receive their benefits.

STATISTICS:

	F.Y. 1993	F.Y. 1994	F.Y. 1995
The objectives and effectiveness measures for the Workers' Compensation Activity are illustrated in the following statistics and bar graphs:			
Files received for hearing at OAH	6,151	6,304	1,274
Files disposed of at OAH	6,309	6,357	1,596

To provide timely hearings and issue decisions on disputed workers' compensation cases.

	F.Y. 1993	F.Y. 1994	F.Y. 1995
Number of months between filing a claim petition at DOLI and hearing			
	14.6	13.0	13.0
Number of months between receipt of file at OAH and hearing			
	9.2	6.9	6.6
Average number of days to issue decision after close of record			
	35.3	31.3	27.1
Average length of hearing (in hours)			
	3.5	3.5	3.5
Percent of hearings conducted in 2 hours or less			
	30%	34%	
Percent of hearings conducted in 4 hours or less			
	70%	66%	
Number of findings and orders issued	1,568	1,651	392

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

	F.Y. 1993	F.Y. 1994	F.Y. 1995
Number of awards issued on settlements	4,250	4,122	1,038
Average number of days from receipt of stipulation to issuance of award	2.9	2.9	2.7

REVENUE: None.

PLANNED RESULTS: The activity plan of the Minnesota Office of Administrative Hearings in the area of Workers' Compensation is to reduce administrative costs within the system and make it more efficient. If video conferencing of workers' compensation hearings and alternative dispute resolution are successful, the Office of Administrative Hearings intends to return to the legislature for the next biennium with a request for a reduced appropriation from the Workers' Compensation Special Fund despite an increased caseload.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATIVE HEARINGS
PROGRAM: ADMINISTRATIVE HEARINGS
ACTIVITY: WORKERS COMPENSATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,026	3,183	3,312	3,007	3,007	3,287	3,007	3,007	3,287
EXPENSES/CONTRACTUAL SRVCS	338	334	329	334	334	459	339	339	339
MISC OPERATING EXPENSES	134	151	136	136	136	136	136	136	136
SUPPLIES/MATERIALS/PARTS	61	94	68	45	45	45	45	45	45
CAPITAL EQUIPMENT	72	24	40	40	40	40	40	40	40
SUBTOTAL STATE OPERATIONS	3,631	3,786	3,885	3,562	3,562	3,967	3,567	3,567	3,847
TOTAL EXPENDITURES	3,631	3,786	3,885	3,562	3,562	3,967	3,567	3,567	3,847
GOV'S INITIATIVES:									
			FUND						
(B) JUDGES STAFF SUPPORT			WCS			180			180
(B) LAW CLERKS FOR COMPENSATION JUDGES			WCS			100			100
(B) COMPUTER BASE			WCS			125			
TOTAL GOV'S INITIATIVES						405			280
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
WORKERS COMP SPECIAL	3,617	3,756	3,864	3,541	3,541	3,946	3,546	3,546	3,826
STATUTORY APPROPRIATIONS:									
ENTERPRISE	14	30	21	21	21	21	21	21	21
TOTAL FINANCING	3,631	3,786	3,885	3,562	3,562	3,967	3,567	3,567	3,847
FTE BY EMPLOYMENT TYPE:									
REGULAR	53.0	55.3	55.3		51.3			51.3	
TEMP/SEAS/PART_TIME		4.0	4.0						
OVERTIME	.1	.1	.1		.1			.1	
TOTAL FTE	53.1	59.4	59.4		51.4	59.4		51.4	59.4

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Administrative Hearings
PROGRAM: Administrative Hearings
ACTIVITY: Workers' Compensation

ITEM TITLE: Judges Staff Support

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$180	\$180	\$180	\$180
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for 4.0 positions and \$180,000 per year for judges staff support.

RATIONALE:

Funding was appropriated for this item in Laws of 1993, Chapter 192, Section 13. The agency was to treat this as a one-time appropriation and return in the 1996-97 session and justify continuation. This has turned out to be very successful.

With caseloads increasing, it is less expensive to hire additional support staff than to hire more judges, which are the most expensive employees. The judges' time is more productive and can handle the increased caseload with the additional support staff.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Administrative Hearings
PROGRAM: Administrative Hearings
ACTIVITY: Workers' Compensation

ITEM TITLE: Law Clerks for Compensation Judges

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$100	\$100	\$100	\$100
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for 4.0 positions and \$100,000 per year for judges staff support.

RATIONALE:

Funding was appropriated for this item in Laws of 1993, Chapter 192, Section 13. The agency was to treat this as a one-time appropriation and return in the 1996-97 session and justify continuation. This has turned out to be very successful.

The Workers' Compensation Section can handle the increased caseload without more judges by making their time more productive with the help of law clerks, who cost a fraction of judicial position.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Administrative Hearings
PROGRAM: Administrative Hearings
ACTIVITY: Workers' Compensation

ITEM TITLE: Computer Base

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$125	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected: M.S.				

GOVERNOR'S RECOMMENDATION:

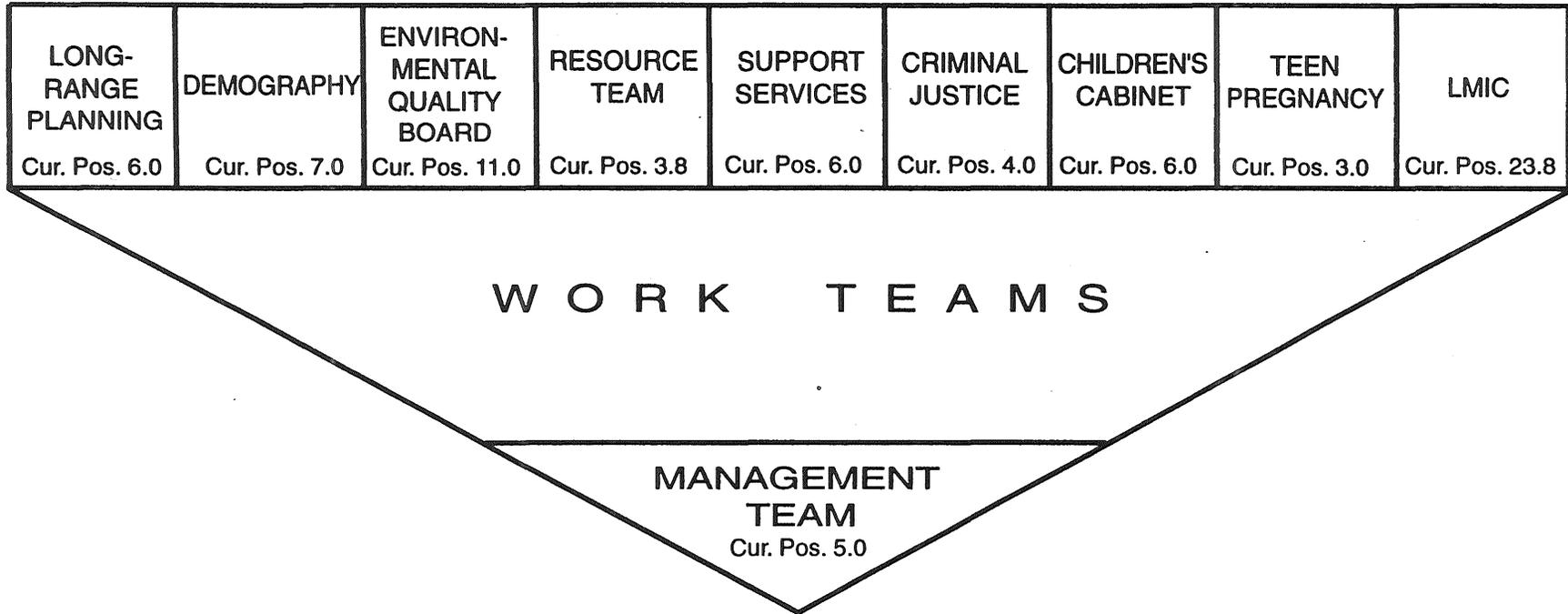
The Governor recommends funding of \$125,000 for MAPPER board calendaring system. The Information Policy Office has reviewed and supports this project contingent upon the Office of Administrative Hearings meeting all IPO requirements in a satisfactory manner. A business report analysis is required for a single calendaring system and a joint calendaring system. A description of user requirements, advantages and disadvantages and conclusions for each options.

RATIONALE:

The MAPPER based calendaring system OAH uses for scheduling at the Department of Labor and Industry (DOLI) is being discontinued by DOLI. OAH needs this one-time appropriation from the Workers' Compensation Special Fund to develop its own calendaring system.

OFFICE OF STRATEGIC AND LONG RANGE PLANNING

ORGANIZATION CHART 7/1/94



June 30, 1994 FTE Employees: 81.6

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**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Strategic and Long Range Planning, Office of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$4,731	\$4,731	\$9,462
<u>BASE ADJUSTMENT:</u>			
One-Time Appropriations	\$(570)	\$(570)	\$(1,140)
Biennial Appropriations	(36)	(36)	(72)
Appropriations Carried fwd	(159)	(159)	(318)
Documented Rent/Lease Inc	7	11	18
Attorney General costs	<u>(10)</u>	<u>(10)</u>	<u>(20)</u>
<u>CURRENT SPENDING</u>	\$3,963	\$3,967	\$7,930
<u>AGENCY DECISION ITEMS:</u>	<u>\$30</u>	<u>\$-0-</u>	<u>\$30</u>
<u>AGENCY PLAN</u>	\$3,993	\$3,967	\$7,960
<u>GOVERNOR'S INITIATIVES:</u>			
Childrens Information Redesign	\$500	\$500	\$1,000
Environmental Review	86	61	147
Transfers to Department of Children	-0-	(500)	(500)
GOVERNOR'S RECOMMENDATIONS	\$4,579	\$4,028	\$8,607

Brief Explanation of Agency Plan:

- The budget plan allows the agency to continue operations with same level funding through staffing efficiencies and operational changes made with the implementation of work teams.
- The plan calls for additional funding for rulemaking costs for streamlining the power plant siting review process of wind energy facilities.

Revenue Summary:

- Increase in the power plant siting assessment, non-dedicated revenue, to cover rulemaking.

Affected Statutes:

- None.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments; a biennial increase in funding above the agency plan of \$1,000,000 for Childrens Information Redesign and \$147,000 for Environmental Review Process from the General Fund.

The Governor recommends that the Childrens Information Redesign, which is General Funded, and the Action for Children, Teen Pregnancy Prevention and Minnesota Childrens Initiative, funded from other sources, be transferred to the Department of Children and Education Services. A detailed description of the new agency can be found in the Children's and Education Services budget document.

1996-97 Biennial Budget

AGENCY: Strategic and Long Range Planning, Office of

AGENCY DESCRIPTION: The mission of the Office of Strategic and Long-Range Planning (Minnesota Planning) is to keep Minnesotans focused on the future; to provide policy-makers and the public with accurate information and analysis about emerging and critical issues; to influence policy decisions for a better future through long range planning. Under the authority of Minnesota Chapter 4A, the office must develop an integrated long-range plan for the state, coordinate activities among all levels of government; stimulate public interest and participation in the future of the state; and act in coordination with the commissioner of finance, affected state agencies, and the legislature in planning and financing major public programs.

The office has additional authority under M.S. 4A.05, through its land management information center, to provide services in computer mapping and graphics, environmental, social and economic analysis and small systems development. Through the Land Management Information Center (LMIC), Minnesota Planning serves Minnesota's planning, policy analysis, and operational needs through coordination, data, project, and technology services related to geographic information.

Minnesota Planning develops strategic plans to achieve statewide outcomes outlined in Minnesota Milestones as part of its responsibility to develop an integrated long-range plan for the state. It provides leadership by identifying issues that cross agency lines and develops and supports mechanisms to address those issues in furtherance of its goal to coordinate activities among all levels of government. Minnesota Planning develops products and services that enable Minnesotans to participate in shaping their state's future. Minnesota Planning also promotes the long term interest of the state by identifying critical and emerging issues and conducting strategic planning projects related to those issues with recommendations for implementation.

Minnesota Planning's primary customer is the governor. However, the projects and services of the agency benefit all levels of government, other departments within state government, private firms, non-profit and for profit organizations and Minnesota citizens.

Minnesota Planning is a leader in accomplishing the Minnesota Milestone's goal, "Government in Minnesota will be cost-effective and service will be designed to meet the needs of the people who use them." In addition efforts by the Children's Cabinet, Action for Children, Environmental Quality Board, Land Management Information Center, and the state Demographer's Office support numerous Milestone's goals, included below:

Children's Goals:

- "Our children will not live in poverty."
- "All children will come to school ready to learn."
- "Minnesotans will be healthy."

Environmental Goals:

- "We will improve the quality of the air, water and earth."
- "Minnesota's environment will support a rich diversity of plant and animal life."

Diversity Goals:

- "We will welcome, respect, and value people of all cultures, races, and ethnic background."

AGENCY CHALLENGES: There is an increased emphasis on environmental and economic issues related to development both in and within the state. New approaches, such as sustainable development and expanded federal regulations together with pressures to maintain a healthy economic base in Minnesota represent a continuing challenge.

Both state and local government have fewer resources to fund increasing spending needs especially in programs that serve people. Developing strategies to maximize the value of dollars spent in government programs together with pressures for more timely data from the state Demographer to use as a basis for allocation of funds within the state. Demand for geographic information and

analysis services has grown dramatically as state, local and private organizations have discovered their benefits for informing policy and operations. Minnesota Planning's Land Management Information Center remains committed to quality service in response to this demand. Significant new investment in computing technology will be needed to respond effectively. Reduced service costs for client organizations would result.

To be able to manage funding for children and families effectively, information among levels of government must be compatible.

AGENCY STRATEGIES: Budget 2001, Minnesota Planning's project on government spending, focuses on spending and revenue patterns for the next ten years. This analysis includes historical perspective for both state and local government and identification of past and expected spending drivers.

Development of an integrated information management system for children's services.

REVENUE SUMMARY: Federal funding is expected to remain constant in the next biennium with special revenue decreasing because of the completion of several environmental projects. The non-dedicated revenue from the power plant siting assessment will be increased in fiscal year 1996 to cover additional costs associated with rulemaking for streamlining the review process on wind energy facilities.

SUMMARY OF BUDGET REQUEST: The budget plan allows the agency to continue operations with same level funding through staffing efficiencies and operational changes made with the implementation of work teams.

LCMR Recommendations:

Pathways to Sustainable Development. To evaluate government barriers to sustainable development in agriculture, energy, manufacturing and settlement and to recommend strategies to address priority barriers to sustainable development. (\$200,000 Environmental Trust Fund).

Wetland Restoration and Enhancement to Create Community Amenity and Form. For an agreement with the University of Minnesota to provide technical design assistance to help five communities create restored and enhanced wetlands that reinforce community form and emphasize habitat creation, water quality, and recreational amenities. (\$250,000 Environmental Trust Fund)

Completion of Statewide Land Use Update of Minnesota. For an agreement with the Association of Minnesota Counties for the third and final biennium to complete the update of the land use map for Minnesota, complete conversion of the data to computer format, and make the data available to users. (\$380,000 Future Resources Fund)

Base Maps for 1990's, Final Phase. To provide the third biennium state match for a federal program to complete statewide coverage of orthophoto maps and complete the update mapping for the state's most obsolete topographic maps. (\$600,000 Environmental Trust Fund)

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustments; a biennial increase in funding above the agency plan of \$1,000,000 for Childrens Information Redesign and \$147,000 for Environmental Review Process from the General Fund; a biennial increase in funding about the agency plan of \$120,000 for Sustainable Development Initiative Roundtable from the Environmental Trust Fund.

The Governor recommends that the Childrens Information Redesign, which is General Funded, and the Action for Children, Teen Pregnancy Prevention and Minnesota Childrens Initiative, funded from other sources, be transferred to the Department of Children and Education Services. A detailed description of the new agency can be found in the Children's and Education Services budget document.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STRATEGIC & L R PLANNING
PROGRAM: STRATEGIC & L R PLANNING
ACTIVITY: STRATEGIC & L R PLANNING

ACTIVITY SUMMARY	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,606	3,867	4,046	3,789	3,920	4,160	3,789	3,789	3,698
EXPENSES/CONTRACTUAL SRVCS	853	1,291	2,032	948	1,639	2,093	952	952	779
MISC OPERATING EXPENSES	149	203	805	233	237	237	233	233	207
SUPPLIES/MATERIALS/PARTS	63	121	140	139	140	140	139	139	136
CAPITAL EQUIPMENT	61	58	140	75	78	90	75	75	81
OTHER	6	54	47	44	44	44	44	44	44
SUBTOTAL STATE OPERATIONS	3,738	5,594	7,210	5,228	6,058	6,764	5,232	5,232	4,945
LOCAL ASSISTANCE	318	4,320	3,740		630	630			
TOTAL EXPENDITURES	4,056	9,914	10,950	5,228	6,688	7,394	5,232	5,232	4,945
AGENCY PLAN ITEMS:									
									FUND
LCMR NEW ALLOCATIONS					1,050				EVT
LCMR NEW ALLOCATIONS					380				MNR
PPS REVIEW PROCESS					30				GEN
TOTAL AGENCY PLAN ITEMS					1,460				
GOV'S INITIATIVES:									
									FUND
(B) CHILDRENS INFORMATION REDESIGN						500			500
(B) SUSTAINABLE DEVELOPMENT						120			EVT
(B) ENVIRONMENTAL REVIEW PROCESS						86			61
(B) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES									GEN
(B) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES									G&D
TOTAL GOV'S INITIATIVES						706			
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	239	80	630		1,050	1,170			

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STRATEGIC & L R PLANNING
 PROGRAM: STRATEGIC & L R PLANNING
 ACTIVITY: STRATEGIC & L R PLANNING

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
GENERAL	2,984	3,736	4,731	3,963	3,993	4,579	3,967	3,967	4,028
MN RESOURCES		90			380	380			
STATUTORY APPROPRIATIONS:									
GENERAL	158	4,216	3,970						
SPECIAL REVENUE	99	1,296	1,144	817	817	817	817	817	817
FEDERAL	74	105	110	100	100	100	100	100	100
GIFTS AND DEPOSITS	502	391	365	348	348	348	348	348	
TOTAL FINANCING	4,056	9,914	10,950	5,228	6,688	7,394	5,232	5,232	4,945
FTE BY EMPLOYMENT TYPE:									
REGULAR	46.6	74.2	67.1		64.2			64.2	
TEMP/SEAS/PART_TIME	6.7	7.4	9.8		7.4			6.4	
TOTAL FTE	53.3	81.6	76.9		71.6	77.6		70.6	70.6

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

AGENCY: STRATEGIC & L R PLANNING

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	10,950	10,950	8,701	8,701	2,139	2,139	110	110
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<570>	<570>	<570>	<570>				
BIENNIAL APPROPRIATIONS	<36>	<36>	<36>	<36>				
APPROPRIATIONS CARRIED FWD	<159>	<159>	<159>	<159>				
BASE TRANSFER (BTWN AGENCIES)	<3,871>	<3,871>	<3,871>	<3,871>				
DED STAT APPROP SPENDING	<443>	<443>	<99>	<99>	<344>	<344>		
DOCUMENTED RENT/LEASE INC/DEC	7	11	7	11				
LCMR-FUNDED PROJECTS	<630>	<630>			<630>	<630>		
FEDERAL RECEIPTS	<10>	<10>					<10>	<10>
ATTORNEY GENERAL COSTS	<10>	<10>	<10>	<10>				
SUBTOTAL BASE ADJ.	<5,722>	<5,718>	<4,738>	<4,734>	<974>	<974>	<10>	<10>
CURRENT SPENDING	5,228	5,232	3,963	3,967	1,165	1,165	100	100

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Strategic and Long Range Planning, Office of
PROGRAM: Strategic and Long Range Planning
ACTIVITY: Strategic and Long Range Planning

ITEM TITLE: Children's Information Redesign

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$500	\$500	\$500	\$500
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for Phase II of the Children's Services Information Management Redesign Initiative. This activity will be transferred to the Department of Children and Education Services in F.Y. 1997.

RATIONALE:

The plan for statewide integrated children's services data is being developed for delivery to the Legislature. This first phase of planning has been conducted by a joint agency team under the auspices of the Children's Cabinet in consultation with the Legislative Commission on Children, Youth and Their Families. The plan will describe specific recommendations to create the information resource management environment necessary to support and coordinate the development and management of the data, applications and technology required by family service collaboratives.

PROGRAM OUTCOMES:

Conceptual design models for 5 functions (information and referral, streamlined intake and eligibility, case management, state and local decision-making support will be developed.) Logical models will be developed along with an implementation plan that prioritizes and sequences future development.

LONG-TERM IMPACT:

The use of community-wide information resource models will shorten costly design phases in future information system development projects. Fewer duplicative applications will be developed. Increased interagency data accessibility through data definition and standardization will diminish the need for many single purpose information systems.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Strategic and Long Range Planning, Office of
PROGRAM: Strategic and Long Range Planning
ACTIVITY: Strategic and Long Range Planning

ITEM TITLE: Sustainable Development Initiative Roundtable

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
Environmental Trust Fund				
- State Operations	\$120	\$-0-	\$120	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for the Environmental Quality Board for administration, coordination and outreach activities associated with the Minnesota Sustainable Development Initiative.

Funding for this initiative has been made available in the Environmental Trust Fund because the Governor has identified projects recommended by the LCMR that should be addressed in the Capital Budget. The Governor recommends, instead, that a portion of the funds allocated for those projects be used to fund this initiative.

The appropriation is available for both years of the biennium.

RATIONALE:

The Minnesota Sustainable Development Initiative offers an efficient and cooperative approach to achieving the state's economic and environmental goals. The 7-citizen teams of phase 1 of the Initiative identified some 400 recommendations designed to change the way Minnesotans approach business and environment. The chief operating principles are that: 1) smart business policy and practice is good for the environment as well as the "bottom line;" and, 2) smart environmental policy gives business good opportunities and reasons to secure environmental goals quickly and efficiently. The recommendations of the 7-citizen teams and the products of the 1994 Sustainable Development Congress have provided the groundwork for a Minnesota Strategic Plan for Sustainable Development. These efforts will be expanded to begin building the consensus necessary for change to occur.

The Board will also employ a citizens-based sustainable development roundtable to continue the work of its phase 1 teams and to advise it in the development, associated outreach and initial implementation steps of the strategic plan for sustainable development. Initial steps in plan implementation will also be taken.

PROGRAM OUTCOMES:

The roundtable will provide a forum of high level business, environmental and community interests discussing and recommending priorities, policies and approaches for furthering sustainable development in Minnesota.

A strategic plan for Minnesota will be developed that outlines steps to implement the principles and priority recommendations of the Minnesota Sustainable Development Initiative and provides the framework for state, local and private decisions that further sustainable development.

State agency policies and budgets will be reviewed and developed to support sustainable development.

LONG-TERM IMPACT:

The project will result in new and strengthened partnerships between the public and private sectors to efficiently identify and communicate the need for those investments and policies that will sustain or improve the quality of Minnesota's environment, economy and communities.

State financial resources will be more efficiently invested and programs integrated and targeted in ways that unify sustainable economic development, community enhancement and environmental protection.

The quality of Minnesota's environment will be enhanced and sustained without sacrificing human and economic development.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Strategic and Long Range Planning, Office of
PROGRAM: Strategic and Long Range Planning
ACTIVITY: Strategic and Long Range Planning

ITEM TITLE: Amending Environmental Review Process

LONG-TERM IMPACT:

The quality of Environmental Assessment worksheets and monitoring of the basis for responsible governmental unit negative deliberations will be improved.

The statutory changes will result in a more complete, thorough and predictable State Environmental Review Process.

Public access to state Environmental Review Process will be improved.

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$86	\$61	\$61	\$61
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statute(s) affected: M.S. 116D.04

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for the Environmental Quality Board to modify the environmental review process and maintain staffing for continued oversight.

RATIONALE:

The EQB has overall responsibility for administering and monitoring the effectiveness of the state environmental review process. No amendments have been made to the statutes regarding the process of review since 1980. Development of the proposed revisions included discussions by a subcommittee of the Board with the MN Center for Environmental Review process in 1994.

PROGRAM OUTCOMES:

The Minnesota Environmental Quality Board (EQB) is proposing amendments to the enabling statutes for the state environmental review process. These amendments have two basic objectives: 1) to augment the current environmental assessment worksheet (EAW) process to create a form of review that is more thorough than the current EAW process but less extensive than the environmental impact statement; and 2) to establish authority for the EQB chair to remand decisions on the need for an EIS, and possibly on the need for an EAW, in order to improve the accountability of the governmental units conducting review to follow the correct process.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Strategic and Long Range Planning, Office of
PROGRAM: Strategic and Long Range Planning
ACTIVITY: Strategic and Long Range Planning

ITEM TITLE: Transfers to the Department of Children and Education Services

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
Gift Fund				
- State Operations	\$-0-	\$(348)	\$(348)	\$(348)
General Fund				
- State Operations	\$-0-	\$(500)	\$(500)	\$(500)
Revenues: (\$000s)				
Gift Fund	\$-0-	\$-0-	\$(348)	\$(348)

Statutory Change? Yes No

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

To improve coordination and integration of services and to achieve improved outcomes for children and their families, the Governor is recommending the establishment of a Department of Children and Education Services. The Governor recommends transfer of Action for Children, Teen Pregnancy Prevention Program, and Minnesota Children's Initiative to the new department in F.Y. 1997. A detailed description of the structure and services of the Department of Children and Education Services can be found in the Children and Families budget document.

The transfer of policy direction and administrative control for a number of critical programs providing services to families and children, along with the development of new funding strategies, will

- reduce existing fragmentation,
- enhance the ability of state government to help local governments and communities to flexibly design services that will work best for their communities,
- improve the capabilities of both state and local government to focus resources on measurable outcomes to improve the well-being of children and families.

1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: ADMINISTRATION, DEPARTMENT OF

PROGRAM

PAGE

Operations Management

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Risk Management
Materials Management
Travel Management
Print Communications
Minnesota Office on Volunteer Services (MOVS)

Intertechnologies Group

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InterTech
9-1-1 Emergency Services

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Real Estate Management
Plant Management
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Building Construction

Administrative Management

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Fiscal and Human Resources
Executive Support
Developmental Disabilities Council (DDC)
System of Technology to Achieve Results (STAR)
State Employee Assistance Program (EAP)
Oil Overcharge

Information Policy Office

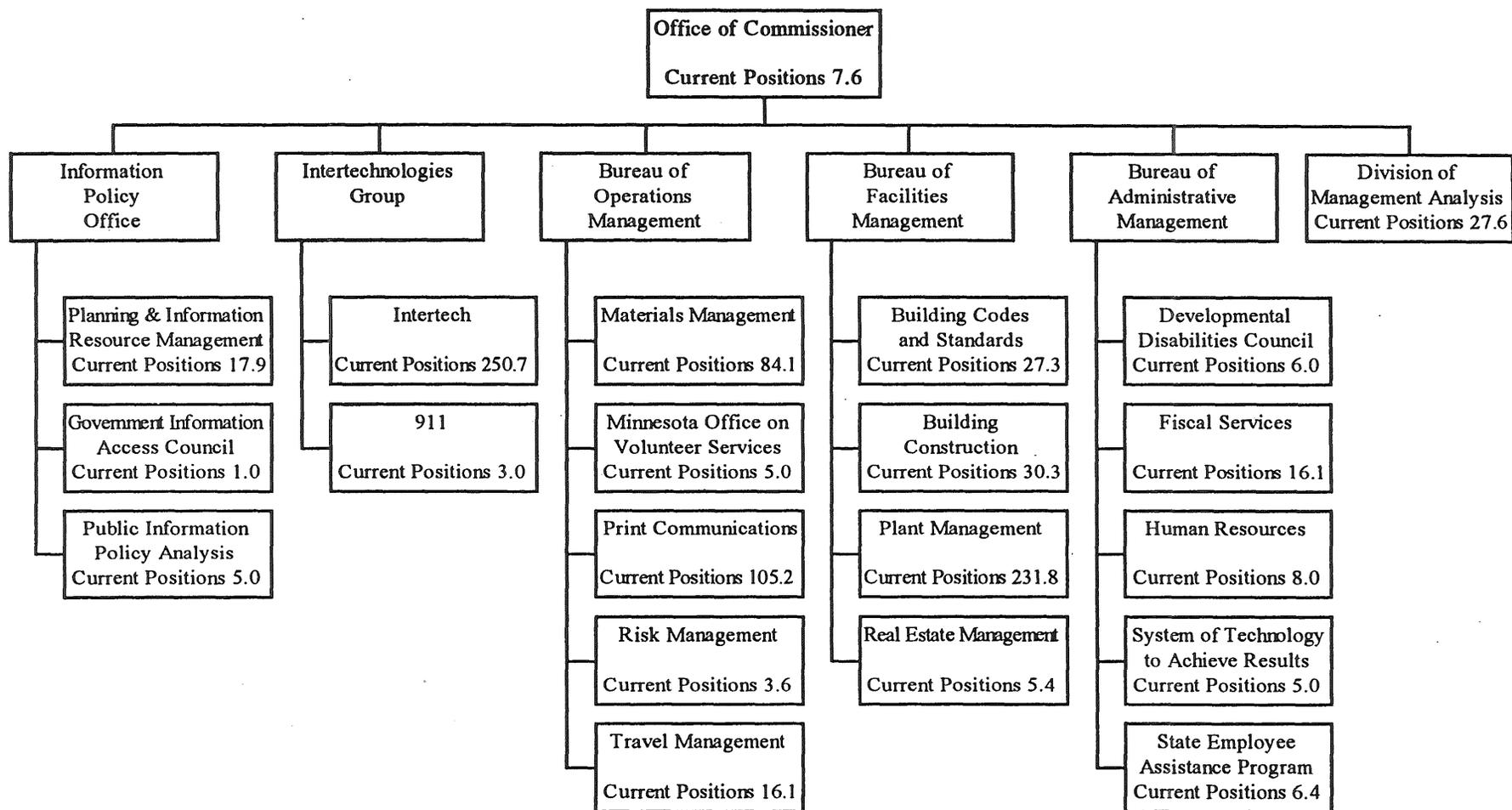
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Information Strategies and Planning (ISPD)
Public Information Policy Analysis (PIPA)
Government Information Access Council (GIAC)

Management Analysis

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DEPARTMENT OF ADMINISTRATION ORGANIZATIONAL CHART 7/1/94



JUNE 30, 1994 FTE EMPLOYEES: 863.1

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Administration, Department of (Admin)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$16,934	\$16,934	\$33,868
<u>BASE ADJUSTMENT:</u>			
One-time Appropriations	(1,042)	(1,042)	(2,084)
Appropriations Carried Forward	(1,099)	(1,099)	(2,198)
Base Transfer (BTWN Agencies)	(136)	(178)	(314)
Documented Rent/Lease Inc./Dec	52	80	132
Attorney General Costs	<u>(66)</u>	<u>(66)</u>	<u>(132)</u>
<u>CURRENT SPENDING</u>	\$14,643	\$14,629	\$29,272
<u>AGENCY PLAN</u>	\$14,643	\$14,629	\$29,272
<u>GOVERNOR'S INITIATIVES:</u>			
Electronic Commerce Services	\$1,125	\$1,125	\$2,250
Telecomm Infrastructure	\$2,250	\$2,250	\$4,500
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$18,018	\$18,004	\$36,022

Brief Explanation of Agency Plan:

Because the department made major budget reallocations in F.Y. 1994-95 to implement its 5-year strategic plan, the department's F.Y. 1996-97 budget plan includes few additional reallocations:

- The budget plan calls for same-level funding for its core programs and activities.
- It transfers \$200,000 from the materials management activity to the Department of Finance to support the statewide systems activity.
- It provides for continued funding of the Minnesota Government Information Access Council and the commissioner's data practices advisory opinion activity.

Revenue Summary:

There are no impacts on revenue.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends funding levels as requested in the agency budget plan except for a biennial increase of \$4,500,000 for the Telecommunication Infrastructure and \$2,250,000 for the Statewide Electronic Commerce Services.

1996-97 Biennial Budget

AGENCY: Administration, Department of (Admin)

AGENCY DESCRIPTION:

The mission of the Minnesota Department of Administration (Admin) is to provide business management and administrative services that improve the productivity and quality of Minnesota government.

Admin serves both state and local government agencies. Its primary clientele is state agencies. In 1994, the department received broad statutory authorization to serve local government, and services to them are expanding. The department's primary statutory duties are detailed in M.S. 16B.

The department is organized into 6 programmatic areas:

- **Operations Management:** contracting and purchasing services, sale of office supplies, sale of surplus property, printing services, sale of state documents, mailing services, micrographic and records storage services, risk management, and travel management services.
- **InterTechnologies:** data processing, telecommunications, and 9-1-1 emergency telephone service.
- **Facilities Management:** building construction; building, maintenance, and grounds services; energy management; resource recycling/recovery services; parking services; leasing; and building codes and standards.
- **Administrative Management:** statewide employee assistance services, fiscal and personnel services for the department, grants administration, and administrative support to several small agencies and programs.
- **Information Policy Office:** data and technology policies, standards, and guidelines; information planning; review of information systems budget requests; data practices.
- **Management Analysis:** management consulting services.

Seventy-five percent of the department's budget is comprised of self supporting, fee-based operations such as data processing, printing, and vehicle rental. Ten percent of Admin's budget is federal funds, gift monies, and clearing accounts. General fund appropriations for department operations comprise 15%. See Figure A.

AGENCY CHALLENGES:

In 1992, Admin developed a 5-year strategic plan. With the input of department employees, legislators, legislative staff, and state and local government agency clientele, the department redefined its mission and examined every Admin program and activity to determine its core services. The plan details which services to continue, which to close or downsize, which to develop or expand, and which to target for restructuring and for quality and productivity improvements. The department began implementation of the plan in 1993 and used the plan to make major budget reallocations in F.Y. 1994-95. Implementation of the plan will continue in F.Y. 1996-97.

The following factors are shaping the development of Admin programs, policies, and budgets:

- **Growing demand for Admin services.** Demand for Admin's core services continues to grow. While Admin's fee-based operations can respond to increased demand by using increased revenues to add staff and other required resources, Admin's general fund operations cannot. There is intense competition for scarce general fund monies. Low-demand services have already been cut or curtailed, and many cost reduction measures have already been implemented. It is difficult to find funds internally to reallocate to meet increasing demand or to invest in new services, technology, and productivity and quality improvements with long-term paybacks.
- **Rapid changes in telecommunications and information technology.** Minnesota state and local government agencies are lagging behind other states and private businesses in using telecommunications and information technology to deliver services and conduct business. Major statewide investments will be needed to enable agencies to acquire and use the latest technology and meet the growing public demand for electronic access to government services and information. State and local government agencies, businesses, and citizens in Greater Minnesota are especially disadvantaged because of the greater cost of providing voice, video, and data services outside the Twin Cities.
- **Increasing environmental, energy, and social policy requirements.** In response to public concerns, the federal government, Minnesota state legislature, and state regulatory agencies are imposing an increasing number of environmental, energy, and social requirements on state agencies. The legislature, for example, has directed that state government purchase from small businesses, correctional industries, sheltered workshops, and businesses owned by women, minorities, and persons with disabilities. State government is frequently used as pilot or demonstration sites; and requirements are often more stringent than those imposed on private businesses and organizations. Implementation of many of these requirements falls to Admin.
- **Deferred maintenance and repair of state buildings.** The state has long deferred the adequate maintenance and repair of many of its buildings, reducing their useful life, increasing operating costs, and creating a large backlog of critical repairs. The state's capital reform efforts are beginning to address the problem, but long-term solutions are needed.
- **Over-reliance on leasing state office facilities.** The state owns less than half of the office space it needs for state agency operations in the Twin Cities. The state leases over 2 million square feet of office space scattered throughout the Twin Cities; it has not built a central office facility since 1967. The department's 20-year strategic plan for locating state agencies calls for increased state ownership to significantly reduce costs. Implementation of the plan began in 1994.
- **Impact of the Higher Education merger.** The impact of the merger on Admin and the other staff agencies is not as yet fully known. The impact depends on the extent to which the merged systems will develop their own administrative services unit. If they do not create their own unit, Admin will need to expand its services to include the 34 technical colleges.

AGENCY STRATEGIES:

The agency's budget plan is constructed to achieve the following:

- Provide quality products and services needed by state and local agencies at the lowest cost by leveraging economies of scale;

1996-97 Biennial Budget

AGENCY: Administration, Department of
(Continuation)

- Expand state and local government use of information and telecommunications technology to deliver services, provide information, and equalize electronic access to government services and information in urban and rural Minnesota;
- Maximize the state's investments in its information assets;
- Maximize the state's investments in its capital assets;
- Improve state government's management and business practices.

See the Annual Performance Report, dated September 1994, for agency goals, objectives, and outcomes.

REVENUE SUMMARY:

Admin's dedicated funds are expected to remain stable over the next biennium. Examples of such funds include federal funds, parking funds, membership funds, and 9-1-1 funds. Non-dedicated receipts, the majority of which come from the building code and standards activity, are also expected to remain stable.

SUMMARY OF BUDGET REQUEST:

Because the department made major budget reallocations in F.Y. 1994-95 to implement its 5-year strategic plan, the department's F.Y. 1996-97 budget plan includes few additional reallocations:

- The budget plan calls for same-level funding for its core programs and activities.
- It transfers \$200,000 from the materials management activity to the Department of Finance to support the statewide systems activity.
- It provides for continued funding of the Minnesota Government Information Access Council and the commissioner's data practices advisory opinion activity.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for a biennial increase of \$4,500,000 for the Telecommunication Infrastructure and \$2,250,000 for the Statewide Electronic Commerce Services.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF

PROGRAM RESOURCE ALLOCATION:	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
OPERATIONS MANAGEMENT	15,500	14,134	15,823	14,717	14,717	14,717	14,682	14,682	14,682
INTERTECHNOLOGIES GROUP	8,773	5,132	7,874	7,678	7,678	9,928	7,678	7,678	9,928
FACILITIES MANAGEMENT	7,169	9,001	9,005	8,659	8,659	8,659	8,673	8,673	8,673
ADMINISTRATIVE MANAGEMENT	4,350	5,992	4,153	3,987	6,102	6,102	3,992	3,992	3,992
INFORMATION POLICY OFFICE	1,365	1,274	2,471	2,002	2,002	3,127	2,003	2,003	3,128
MANAGEMENT ANALYSIS	3,325	649	635	565	565	565	566	566	566
TOTAL EXPENDITURES BY PROGRAM	40,482	36,182	39,961	37,608	39,723	43,098	37,594	37,594	40,969
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	1,854								
GENERAL	17,980	13,780	16,934	14,643	14,643	18,018	14,629	14,629	18,004
MN RESOURCES	353								
HEALTH CARE ACCESS	27								
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	3,446	6,164	6,487	6,425	8,540	8,540	6,425	6,425	6,425
SPECIAL REVENUE	2,515	1,485	1,413	1,413	1,413	1,413	1,413	1,413	1,413
FEDERAL	3,171	3,434	3,029	3,029	3,029	3,029	3,029	3,029	3,029
AGENCY	10,492	10,387	11,198	11,198	11,198	11,198	11,198	11,198	11,198
GIFTS AND DEPOSITS	644	932	900	900	900	900	900	900	900
TOTAL FINANCING	40,482	36,182	39,961	37,608	39,723	43,098	37,594	37,594	40,969
FTE BY EMPLOYMENT TYPE:									
REGULAR	830.5	825.8	826.7		824.4			824.4	
TEMP/SEAS/PART_TIME	55.4	29.4	28.5		27.8			27.8	
OVERTIME	6.8	7.9	7.9		7.9			7.9	
TOTAL FTE	892.7	863.1	863.1		860.1	860.1		860.1	860.1

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

AGENCY: ADMINISTRATION, DEPARTMENT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	39,961	39,961	16,934	16,934	19,998	19,998	3,029	3,029
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<1,042>	<1,042>	<1,042>	<1,042>				
APPROPRIATIONS CARRIED FWD	<1,099>	<1,099>	<1,099>	<1,099>				
BASE TRANSFER (BTWN AGENCIES)	<136>	<178>	<136>	<178>				
DOCUMENTED RENT/LEASE INC/DEC	52	80	52	80				
LCMR-FUNDED PROJECTS	<62>	<62>			<62>	<62>		
ATTORNEY GENERAL COSTS	<66>	<66>	<66>	<66>				
SUBTOTAL BASE ADJ.	<2,353>	<2,367>	<2,291>	<2,305>	<62>	<62>		
CURRENT SPENDING	37,608	37,594	14,643	14,629	19,936	19,936	3,029	3,029

ADMIN'S FY 1995 BUDGET

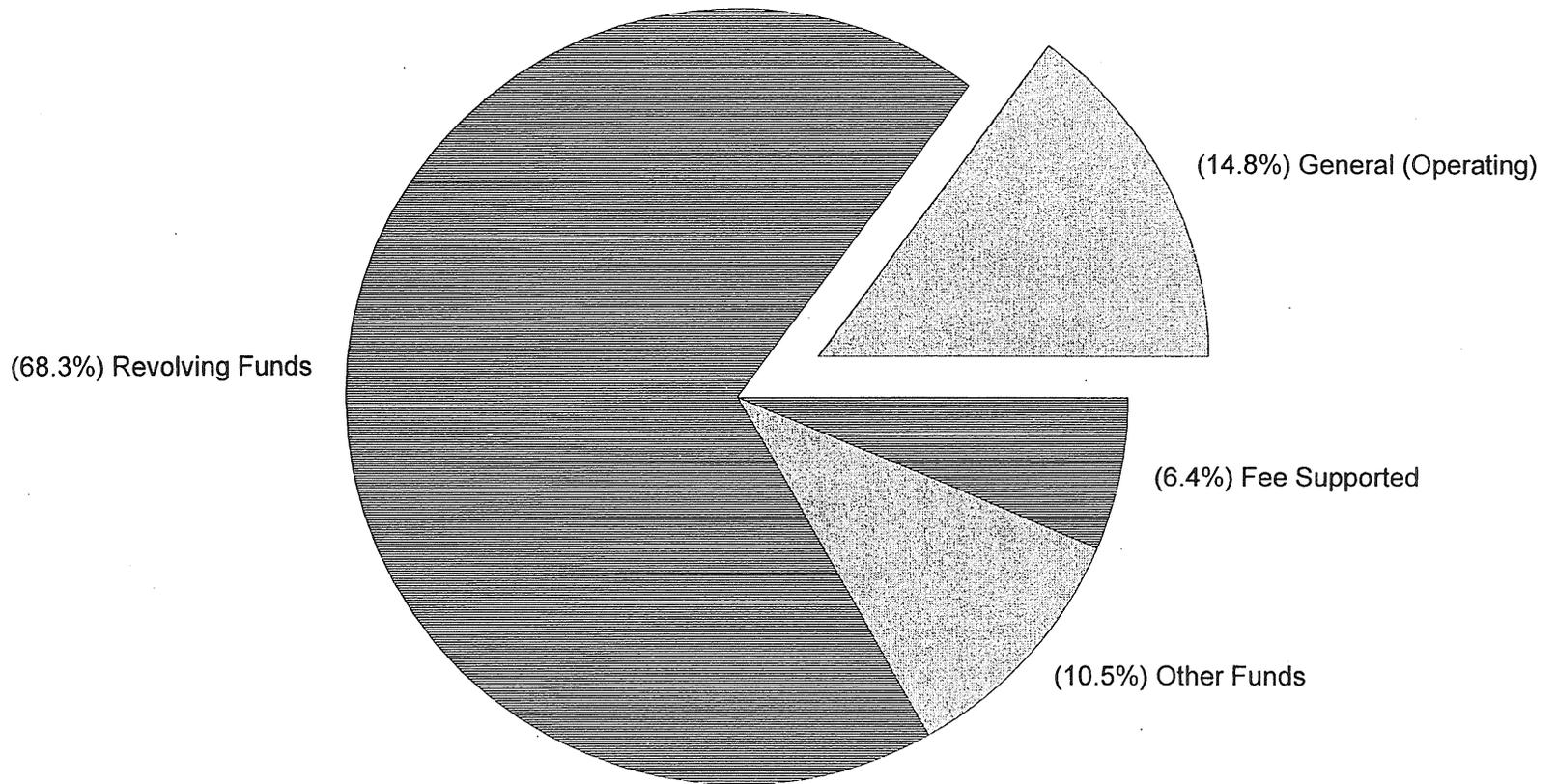


FIGURE A

GOVERNOR'S RECOMMENDATION:

PROGRAM: Operations Management
AGENCY: Administration, Department of (Admin)

The Governor concurs with the agency's plan.

PROGRAM DESCRIPTION:

The Operations Management Bureau (OMB) supports the Department of Administration's mission by providing a range of administrative support 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; production and distribution of the *State Register*; procurement; inventory management; asset disposal; procurement from small, disadvantaged, and targeted businesses; office supplies; insurance coverage; and statewide leadership to the volunteer community.

Implementation of the Statewide Systems Project (SSP) will have a profound impact on OMB activities, particularly purchasing. The SSP will enable agencies to take on a greater role in state purchasing through use of a centralized information system. As SSP captures more and better information on state purchases, the state will be able to use the knowledge to leverage greater discounts through large-volume contracts. Recognizing this change, the Materials Management Division (MMD) has restructured to meet future needs, focusing on improved and streamlined procurement practices and better training of agencies.

Demand for other OMB products and services has continued to increase because of their quality and price advantage.

PROGRAM STATUS:

Traditionally, OMB services have been available primarily to executive branch agencies. Recent statutory changes permit service offering to other government entities. Over the next biennium we will pursue these new opportunities where they make strategic business sense.

PLANNED RESULTS:

At the end of F.Y. 1997, OMB's goal is to maintain or reduce the cost of revolving fund products and services from their current levels. Likewise, OMB expects to meet the performance measures for its generally funded activities as outlined in the Annual Performance report.

BUDGET AND REVENUE SUMMARY:

This program generates dedicated revenue through its Travel Management and Minnesota Office on Volunteer Services (MOVS) activities. These revenues are expected to remain stable throughout the next biennium.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: OPERATIONS MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
RISK MANAGEMENT	132								
MATERIALS MANAGEMENT	3,185	2,902	3,739	2,613	2,613	2,613	2,576	2,576	2,576
TRAVEL MANAGEMENT	315	227	242	242	242	242	242	242	242
PRINT COMMUNICATIONS	10,928	10,671	11,492	11,492	11,492	11,492	11,493	11,493	11,493
MN OFFICE VOLUNTEER SERV	940	334	350	370	370	370	371	371	371
TOTAL EXPENDITURES BY ACTIVITY	15,500	14,134	15,823	14,717	14,717	14,717	14,682	14,682	14,682
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,102	3,657	4,514	3,408	3,408	3,408	3,373	3,373	3,373
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	195	85	111	111	111	111	111	111	111
FEDERAL	699								
AGENCY	10,490	10,387	11,198	11,198	11,198	11,198	11,198	11,198	11,198
GIFTS AND DEPOSITS	14	5							
TOTAL FINANCING	15,500	14,134	15,823	14,717	14,717	14,717	14,682	14,682	14,682
FTE BY EMPLOYMENT TYPE:									
REGULAR	205.1	204.4	204.6		202.3		202.3		
TEMP/SEAS/PART_TIME	7.5	7.7	7.7		7.0		7.0		
OVERTIME	.9	1.7	1.7		1.7		1.7		
TOTAL FTE	213.5	213.8	214.0		211.0	211.0	211.0		211.0

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

The 4 major services Risk Management Division (RMD) provides state agencies are: 1) To manage and underwrite the risk management fund and property, inland marine, and comprehensive and collision coverages; 2) To supervise, monitor, and adjust losses using a loss-adjusting company for the investigation and settlement of claims. In conjunction with the attorney general's office, RMD selects legal counsel to handle claims that enter into litigation; 3) To provide risk/insurance management consulting services to state agencies on a variety of issues; and, 4) To assist agencies through evaluation of insurance needs and negotiating the purchase of insurance. The division receives its funding from premiums charged agencies for risks that are underwritten by the risk management fund and from service charges assessed to premiums negotiated by the division on behalf of the agencies. The division has an advisory committee made up of representatives of state agencies, the private sector, and academia.

BUDGET ISSUES:

None

REVENUE:

This activity generates dedicated and non-dedicated revenue. (See financial page.)

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	110								
EXPENSES/CONTRACTUAL SRVCS	12								
MISC OPERATING EXPENSES	4								
SUPPLIES/MATERIALS/PARTS	6								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	132								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	132								
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	132								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	132								
FTE BY EMPLOYMENT TYPE:									
REGULAR	3.0	3.1	3.1		3.1			3.1	
TEMP/SEAS/PART_TIME	.5	.5	.5		.5			.5	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	3.5	3.6	3.6		3.6	3.6		3.6	3.6

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 96/97
PROGRAM: OPERATIONS MANAGEMENT

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	FY 1997		ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995
OPERATING REVENUES:						ASSETS:			
NET SALES	2,209.0	2,928.4	3,345.0	3,846.8	4,231.4	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	3,213.5	3,062.2	3,489.6
GROSS PROFIT ON SALES	2,209.0	2,928.4	3,345.0	3,846.8	4,231.4	OTHER CURRENT ASSETS	373.5	343.8	390.0
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	3,587.0	3,406.0	3,879.6
NET REVENUES	2,209.0	2,928.4	3,345.0	3,846.8	4,231.4	NON-CURRENT ASSETS:	4.8	16.8	17.8
LESS: OPERATING EXPENSES:						TOTAL ASSETS	3,591.8	3,422.8	3,897.4
SALARIES	57.0	181.3	181.0	185.0	191.2	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	2,400.7	3,135.1	2,968.5	3,265.4	3,591.9	LIABILITIES:			
INDIRECT COSTS	14.3	18.5	34.2	36.0	38.0	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	3.0	3.8	4.0	4.4	4.8	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	2,475.0	3,338.7	3,187.7	3,490.8	3,825.9	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	(266.0)	(410.3)	157.3	356.0	405.5	OTHER CURRENT LIABILITIES	3,128.8	3,117.0	3,277.8
NON-OPERATING REVENUES (EXPENSES)	193.2	158.8	156.0	160.0	180.0	TOTAL CURRENT LIABILITIES	3,128.8	3,117.0	3,277.8
NET INCOME (LOSS)	(72.8)	(251.5)	313.3	516.0	585.5	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	534.4	461.6	301.3	614.6	1,130.6	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	91.2	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
ENDING RETAINED EARNINGS	461.6	301.3	614.6	1,130.6	1,716.1	OTHER NON-CURRENT LIABILITIES	1.4	4.5	5.0
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	1.4	4.5	5.0
						TOTAL LIABILITIES	3,130.2	3,121.5	3,282.8
						FUND EQUITY:			
						CONTRIBUTED CAPITAL	0.0	0.0	0.0
						RETAINED EARNINGS	461.6	301.3	614.6
						TOTAL FUND EQUITY	461.6	301.3	614.6
						TOTAL LIABILITIES & FUND EQUITY	3,591.8	3,422.8	3,897.4
RATE INCREASE/(DECREASE):	5.44%	25.41%	19.27%	10.00%	10.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE)	14.02%								

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1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

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

BUDGET ISSUES:

The division has continued to reduce general fund costs in a number of areas including: reducing printing and mailing costs through the use of a voice fax system, holding positions vacant, allocating costs more appropriately to non-general funds, and recovering the costs of administering certain contracts through fees.

A proposed redesign of the materials management organization will enable the division to redirect resources in order to improve its services:

- The purchasing and contract activities will be consolidated.
- Resources will be redirected to provide for a greater emphasis on training state agencies. This will support increased delegation of certain purchasing and other materials management responsibilities to agencies, as supported by the Statewide Systems Project.

REVENUE:

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

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,348	2,241	2,614	2,227	2,227	2,227	2,200	2,200	2,200
EXPENSES/CONTRACTUAL SRVCS	525	471	448	270	270	270	260	260	260
MISC OPERATING EXPENSES	112	89	482	26	26	26	26	26	26
SUPPLIES/MATERIALS/PARTS	146	48	174	69	69	69	69	69	69
CAPITAL EQUIPMENT	54	53	21	21	21	21	21	21	21
SUBTOTAL STATE OPERATIONS	3,185	2,902	3,739	2,613	2,613	2,613	2,576	2,576	2,576
TOTAL EXPENDITURES	3,185	2,902	3,739	2,613	2,613	2,613	2,576	2,576	2,576
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,068	2,902	3,739	2,613	2,613	2,613	2,576	2,576	2,576
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	44								
FEDERAL	67								
GIFTS AND DEPOSITS	6								
TOTAL FINANCING	3,185	2,902	3,739	2,613	2,613	2,613	2,576	2,576	2,576
FTE BY EMPLOYMENT TYPE:									
REGULAR	74.2	81.3	81.3		79.0			79.0	
TEMP/SEAS/PART_TIME	2.0	2.5	2.5		1.8			1.8	
OVERTIME		.3	.3		.3			.3	
TOTAL FTE	76.2	84.1	84.1		81.1	81.1		81.1	81.1

DEPARTMENT OF ADMINISTRATION
DIVISION of MATERIALS MANAGEMENT

REVOLVING FUND ACTIVITY: CENTRAL STORES
BUDGET ACTIVITY: 02 - 513
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 93

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 96/97
PROGRAM: OPERATIONS MANAGEMENT

	* OPERATIONS DATA *					* FINANCIAL DATA *			
	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	PROJECTED FY 1997	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	
(Dollars in Thousands)									
OPERATING REVENUES:						ASSETS:			
NET SALES	4,901.6	5,695.9	5,770.0	6,003.6	6,247.4	CURRENT ASSETS:			
LESS: COST OF SALES	3,857.0	4,721.6	4,800.0	4,992.0	5,191.7	CASH	105.8	220.3	214.9
GROSS PROFIT ON SALES	1,044.6	974.3	970.0	1,011.6	1,055.7	OTHER CURRENT ASSETS	1,027.2	1,186.9	1,187.0
OTHER REVENUE	0.0		0.0	0.0	0.0	TOTAL CURRENT ASSETS	1,133.0	1,407.2	1,401.9
NET REVENUES	1,044.6	974.3	970.0	1,011.6	1,055.7	NON-CURRENT ASSETS:	84.7	60.0	55.0
LESS: OPERATING EXPENSES:						TOTAL ASSETS	1,217.7	1,467.2	1,456.9
SALARIES	533.4	549.2	537.1	553.2	569.8	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	306.6	349.5	317.7	323.7	329.8	LIABILITIES:			
INDIRECT COSTS	115.5	51.5	112.0	130.0	134.0	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	24.9	24.7	24.5	24.5	24.5	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	980.4	974.9	991.3	1,031.4	1,058.1	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	64.2	(0.6)	(21.3)	(19.8)	(2.4)	OTHER CURRENT LIABILITIES	407.3	646.0	657.0
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	407.3	646.0	657.0
NET INCOME (LOSS)	64.2	(0.6)	(21.3)	(19.8)	(2.4)	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	42.9	107.1	106.5	85.2	65.4	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	0.0	0.0	0.0
ENDING RETAINED EARNINGS	107.1	106.5	85.2	65.4	63.0	OTHER NON-CURRENT LIABILITIES	12.3	23.7	23.7
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	12.3	23.7	23.7
						TOTAL LIABILITIES	419.6	669.7	680.7
						FUND EQUITY:			
						CONTRIBUTED CAPITAL	691.0	691.0	691.0
						RETAINED EARNINGS	107.1	106.5	85.2
						TOTAL FUND EQUITY	798.1	797.5	776.2
RATE INCREASE/(DECREASE):	29.55%	0.00%	-3.64%	0.00%	0.00%	TOTAL LIABILITIES & FUND EQUITY	1,217.7	1,467.2	1,456.9
FIVE YEAR AVERAGE INCREASE/(DECREASE)	5.18%								

DEPARTMENT OF ADMINISTRATION
DIVISION of MATERIALS MANAGEMENT

REVOLVING FUND ACTIVITY: MATERIALS SERVICES & DISTRIBUTION
BUDGET ACTIVITY: 02 - 512
TYPE OF FUND: ENTERPRISE FUND
FUND NUMBER: 94

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 96/97
PROGRAM: OPERATIONS MANAGEMENT

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	PROJECTED FY 1997		ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995
OPERATING REVENUES:						ASSETS:			
NET SALES	607.1	617.1	704.5	904.5	904.5	CURRENT ASSETS:			
LESS: COST OF SALES	67.4	160.7	15.7	150.0	150.0	CASH	672.9	518.0	525.0
GROSS PROFIT ON SALES	539.7	456.4	688.8	754.5	754.5	OTHER CURRENT ASSETS	199.1	86.2	160.6
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	872.0	604.2	685.6
NET REVENUES	539.7	456.4	688.8	754.5	754.5	NON-CURRENT ASSETS:	236.3	225.2	202.8
LESS: OPERATING EXPENSES:						TOTAL ASSETS	1,108.3	829.4	888.4
SALARIES	225.3	281.5	331.0	341.0	351.5	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	117.0	110.4	271.1	319.2	350.0	LIABILITIES:			
INDIRECT COSTS	18.3	0.0	11.1	11.5	12.0	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	15.2	19.5	22.3	40.0	40.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	375.8	411.4	635.5	711.7	753.5	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	163.9	45.0	53.3	42.8	1.0	OTHER CURRENT LIABILITIES	438.1	106.4	110.0
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	438.1	106.4	110.0
NET INCOME (LOSS)	163.9	45.0	53.3	42.8	1.0	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	222.0	385.9	430.9	484.2	527.0	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	0.0	0.0	0.0
ENDING RETAINED EARNINGS	385.9	430.9	484.2	527.0	528.0	OTHER NON-CURRENT LIABILITIES	10.1	17.9	20.0
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	10.1	17.9	20.0
						TOTAL LIABILITIES	448.2	124.3	130.0
						FUND EQUITY:			
						CONTRIBUTED CAPITAL	274.2	274.2	274.2
						RETAINED EARNINGS	385.9	430.9	484.2
						TOTAL FUND EQUITY	660.1	705.1	758.4
RATE INCREASE/(DECREASE):	1.29%	0.00%	0.00%	0.00%	0.00%	TOTAL LIABILITIES & FUND EQUITY	1,108.3	829.4	888.4
FIVE YEAR AVERAGE INCREASE/(DECREASE)	0.26%								

DEPARTMENT OF ADMINISTRATION
DIVISION of MATERIALS MANAGEMENT

REVOLVING FUND ACTIVITY: COOPERATIVE PURCHASING
BUDGET ACTIVITY: 02 - 510
TYPE OF FUND: ENTERPRISE FUND
FUND NUMBER: 94

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 96/97
PROGRAM: OPERATIONS MANAGEMENT

(Dollars In Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	* OPERATIONS DATA *					* FINANCIAL DATA *			
	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	PROJECTED FY 1997	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	
OPERATING REVENUES:						ASSETS:			
NET SALES	311.9	361.0	324.5	350.0	350.0	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	339.0	473.9	476.8
GROSS PROFIT ON SALES	311.9	361.0	324.5	350.0	350.0	OTHER CURRENT ASSETS	4.5	0.0	0.0
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	343.5	473.9	476.8
NET REVENUES	311.9	361.0	324.5	350.0	350.0	NON-CURRENT ASSETS:	0.0	0.0	0.0
LESS: OPERATING EXPENSES:						TOTAL ASSETS	343.5	473.9	476.8
SALARIES	50.8	183.3	225.0	200.0	203.0	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	65.3	88.8	64.4	85.5	87.5	LIABILITIES:			
INDIRECT COSTS	6.8	0.0	2.4	2.5	2.5	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	0.0	0.0	0.0	0.0	0.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	122.9	272.1	291.8	288.0	293.0	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	189.0	88.9	32.7	62.0	57.0	OTHER CURRENT LIABILITIES	26.8	60.5	30.5
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	26.8	60.5	30.5
NET INCOME (LOSS)	189.0	88.9	32.7	62.0	57.0	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	127.7	316.7	405.6	438.3	500.3	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	0.0	0.0	0.0
ENDING RETAINED EARNINGS	316.7	405.6	438.3	500.3	557.3	OTHER NON-CURRENT LIABILITIES	0.0	7.8	8.0
						TOTAL NON-CURRENT LIABILITIES	0.0	7.8	8.0
						TOTAL LIABILITIES	26.8	68.3	38.5
FOOTNOTES TO STATEMENTS:	No rates set. Fees charged established by agreements.					FUND EQUITY:			
						CONTRIBUTED CAPITAL	0.0	0.0	0.0
						RETAINED EARNINGS	316.7	405.6	438.3
						TOTAL FUND EQUITY	316.7	405.6	438.3
						TOTAL LIABILITIES & FUND EQUITY	343.5	473.9	476.8
RATE INCREASE/(DECREASE):									
FIVE YEAR AVERAGE INCREASE/(DECREASE):									

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1996-97 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 4 services to state agencies:

1. Central Motor Pool (CMP) provides daily, weekly, and monthly vehicle rental from a fleet of 1,300 vehicles, the majority of which are passenger vehicles;
2. The division's travel services include a corporate credit card program and a preferred travel vendor. These services simplify employee travel arrangements and enable the state to take advantage of economies of scale;
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; and
4. The division administers an MTC bus card program through a payroll deduction plan for state employees.

BUDGET ISSUES:

None

REVENUE:

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

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Dedicated - Special Parking Surcharge	\$158	\$165	\$175	\$175	\$175
Dedicated - Agency MTC Bus Cards	<u>193</u>	<u>204</u>	<u>200</u>	<u>200</u>	<u>200</u>
Total	\$351	\$369	\$375	\$375	\$375

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	92	1	1	1	1	1	1	1	1
MISC OPERATING EXPENSES	223	225	240	240	240	240	240	240	240
SUPPLIES/MATERIALS/PARTS		1	1	1	1	1	1	1	1
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	315	227	242	242	242	242	242	242	242
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	315	227	242	242	242	242	242	242	242
 SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	111	40	44	44	44	44	44	44	44
AGENCY	204	187	198	198	198	198	198	198	198
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	315	227	242	242	242	242	242	242	242
 FTE BY EMPLOYMENT TYPE:									
REGULAR	16.6	16.1	16.1		16.1			16.1	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	16.6	16.1	16.1		16.1	16.1		16.1	16.1

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 96/97
PROGRAM: OPERATIONS MANAGEMENT

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	PROJECTED FY 1997		ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	
OPERATING REVENUES:						ASSETS:				
NET SALES	5,185.8	5,386.6	5,899.3	5,958.3	6,137.1	CURRENT ASSETS:				
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH				
							161.5	357.0	276.2	
GROSS PROFIT ON SALES	5,185.8	5,386.6	5,899.3	5,958.3	6,137.1	OTHER CURRENT ASSETS				
OTHER REVENUE	105.9	127.9	111.9	111.9	111.9		889.0	954.5	955.0	
NET REVENUES	5,291.7	5,514.5	6,011.2	6,070.2	6,249.0	TOTAL CURRENT ASSETS				
							1,050.5	1,311.5	1,231.2	
LESS: OPERATING EXPENSES:						NON-CURRENT ASSETS:				
SALARIES	546.0	537.1	594.9	612.8	631.2		8,440.1	10,380.8	10,381.0	
SUPPLIES & EXPENSES	2,278.7	2,284.3	2,743.5	2,726.5	2,704.2	TOTAL ASSETS				
INDIRECT COSTS	176.4	98.1	125.0	130.0	135.0		9,490.6	11,692.3	11,612.2	
AMORTIZATION & DEPRECIATION	2,660.5	2,575.6	2,988.4	3,066.9	3,169.5	LIABILITIES & FUND EQUITY:				
TOTAL OPERATING EXPENSES	5,661.6	5,495.1	6,451.8	6,536.2	6,639.9	LIABILITIES:				
OPERATING INCOME (LOSS)	(369.9)	19.4	(440.6)	(466.0)	(390.9)	CURRENT LIABILITIES:				
						DUE GENERAL FUND - CURRENT				
NON-OPERATING REVENUES (EXPENSES)							1,985.0	2,121.2	2,122.0	
	250.8	306.5	315.2	300.6	288.0	MASTER LEASE - CURRENT				
							3,087.1	2,757.4	2,800.0	
NET INCOME (LOSS)	(119.1)	325.9	(125.4)	(165.4)	(102.9)	OTHER CURRENT LIABILITIES				
BEGINNING RETAINED EARNINGS	249.1	130.0	455.9	330.5	165.1		221.3	185.2	186.0	
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES				
ENDING RETAINED EARNINGS	130.0	455.9	330.5	165.1	62.2		5,293.4	5,063.8	5,108.0	
FOOTNOTES TO STATEMENTS:						NON-CURRENT LIABILITIES:				
						DUE GENERAL FUND - NON-CURRENT				
							0.0	0.0	0.0	
						MASTER LEASE - NON-CURRENT				
							3,556.8	5,660.0	5,661.0	
						OTHER NON-CURRENT LIABILITIES				
							8.4	10.6	10.7	
						TOTAL NON-CURRENT LIABILITIES				
							3,565.2	5,670.6	5,671.7	
						TOTAL LIABILITIES				
							8,858.6	10,734.4	10,779.7	
						FUND EQUITY:				
						CONTRIBUTED CAPITAL				
							502.0	502.0	502.0	
						RETAINED EARNINGS				
							130.0	455.9	330.5	
						TOTAL FUND EQUITY				
							632.0	957.9	832.5	
						TOTAL LIABILITIES & FUND EQUITY				
							9,490.6	11,692.3	11,612.2	
RATE INCREASE/(DECREASE):	-1.19%	-2.75%	5.28%	1.00%	3.00%					
FIVE YEAR AVERAGE INCREASE/(DECREASE)	1.07%									

DEPARTMENT OF ADMINISTRATION
DIVISION of TRAVEL MANAGEMENT

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

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 96/97
PROGRAM: OPERATIONS MANAGEMENT

	* OPERATIONS DATA *					* FINANCIAL DATA *			
	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	PROJECTED FY 1997	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	
(Dollars in Thousands)									
OPERATING REVENUES:						ASSETS:			
NET SALES	101.5	112.0	156.4	156.3	156.4	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	75.5	36.3	43.3
GROSS PROFIT ON SALES	101.5	112.0	156.4	156.3	156.4	OTHER CURRENT ASSETS	4.8	0.5	0.5
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	80.3	36.8	43.8
NET REVENUES	101.5	112.0	156.4	156.3	156.4	NON-CURRENT ASSETS:	193.1	209.7	199.6
LESS: OPERATING EXPENSES:						TOTAL ASSETS	273.4	246.5	243.4
SALARIES	20.3	24.9	26.6	27.4	28.2	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	64.8	73.1	80.0	81.0	82.0	LIABILITIES:			
INDIRECT COSTS	3.3	0.4	4.2	4.2	4.2	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	46.7	43.3	52.2	45.6	44.2	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	135.1	141.7	163.0	158.2	158.6	MASTER LEASE - CURRENT	6.5	7.7	6.2
OPERATING INCOME (LOSS)	(33.6)	(29.7)	(6.6)	(1.9)	(2.2)	OTHER CURRENT LIABILITIES			
NON-OPERATING REVENUES (EXPENSES)	16.2	10.0	6.2	6.8	10.4	TOTAL CURRENT LIABILITIES	6.5	7.7	6.2
NET INCOME (LOSS)	(17.4)	(19.7)	(0.4)	4.9	8.2	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	58.4	41.0	21.3	20.9	25.8	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	0.0	0.0	0.0
ENDING RETAINED EARNINGS	41.0	21.3	20.9	25.8	34.0	OTHER NON-CURRENT LIABILITIES	0.1	1.2	0.0
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	0.1	1.2	0.0
						TOTAL LIABILITIES	6.6	8.9	6.2
						FUND EQUITY:			
						CONTRIBUTED CAPITAL	225.8	216.3	216.3
						RETAINED EARNINGS	41.0	21.3	20.9
						TOTAL FUND EQUITY	266.8	237.6	237.2
RATE INCREASE/(DECREASE):	0.00%	3.04%	23.26%	0.00%	0.00%	TOTAL LIABILITIES & FUND EQUITY	273.4	246.5	243.4
FIVE YEAR AVERAGE INCREASE/(DECREASE)	5.26%								

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

Central Mail:

- Central Mail is a full service operation that is available to all state agencies. This unit provides the following services:
 1. Mailing service (general fund) includes metering and processing of outgoing federal mail, the sorting and delivery of federal incoming and state interoffice mail, and expert consulting on cost-saving postal programs.
 2. Addressing, inserting, pre-sorting, and bulk mail services (revolving fund) provide a centralized service that results in reduced postage costs to state agencies.

Printing Services:

- Printing Services is a full service in-house printer. The unit assigns a customer service representative to each agency to provide assistance regarding specifying jobs, cost estimates, binding and distribution options, statutory requirements, and job status reports. Design, typesetting, electronic publishing services, telecommunications, and other pre-press services are available. The unit offers 1- and 2-color printing and a wide variety of finishing options. Copying services are available at 3 locations with 24-hour turnaround in most cases. A recent operational review has resulted in a number of organizational changes including going to a 3-shift production schedule and extended hours in Customer Service to better meet customer requirements.

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. The Monday edition of the *State Register* contains rulemaking activity, official notices, executive orders of the governor, requests for proposal, and commissioners' orders. The *Contract Supplement* (published on Tuesday, Wednesday, and Friday) contains contract and bid information.

Micrographics and Records Center:

- The Micrographics and 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 refileing of records. A new service introduced in F.Y. 1995 is records management consulting to help agencies deal with their records management needs. In addition, the Micrographics Unit continues to research optical disk and scanning technologies for even further efficiencies. The unit performs the majority of work for state government agencies (98%); the largest customers are Labor and Industry, Finance, Secretary of State, and Economic Security. The remainder is for local governmental agencies.

BUDGET ISSUES:

Central Mail:

- Funding for the generally funded portion of the operation has failed to cover expenses. Consequently, some services have been reduced. This trend may need to continue with further reductions in services unless the funding increases.
- The unit expects to use retained earnings (revolving fund) in order to keep prices competitive with outside vendors.

REVENUE:

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

Type of Revenue:	<u>Dollars in Thousands</u>				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Dedicated - Postage Clearing	\$10,113	\$9,893	\$11,000	\$11,000	\$11,000

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	396	302	363	363	363	363	363	363	363
EXPENSES/CONTRACTUAL SRVCS	60	45	43	43	43	43	44	44	44
MISC OPERATING EXPENSES	10,408	10,321	11,082	11,082	11,082	11,082	11,082	11,082	11,082
SUPPLIES/MATERIALS/PARTS	5	3	4	4	4	4	4	4	4
CAPITAL EQUIPMENT	59								
SUBTOTAL STATE OPERATIONS	10,928	10,671	11,492	11,492	11,492	11,492	11,493	11,493	11,493
TOTAL EXPENDITURES	10,928	10,671	11,492	11,492	11,492	11,492	11,493	11,493	11,493
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	642	471	492	492	492	492	493	493	493
STATUTORY APPROPRIATIONS:									
AGENCY	10,286	10,200	11,000	11,000	11,000	11,000	11,000	11,000	11,000
TOTAL FINANCING	10,928	10,671	11,492	11,492	11,492	11,492	11,493	11,493	11,493
FTE BY EMPLOYMENT TYPE:									
REGULAR	107.2	99.1	99.1		99.1		99.1		99.1
TEMP/SEAS/PART_TIME	5.0	4.7	4.7		4.7		4.7		4.7
OVERTIME	.9	1.4	1.4		1.4		1.4		1.4
TOTAL FTE	113.1	105.2	105.2		105.2	105.2	105.2		105.2

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 96/97
PROGRAM: OPERATIONS MANAGEMENT

(Dollars In Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	* OPERATIONS DATA *					* FINANCIAL DATA *			
	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	PROJECTED FY 1997	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	
OPERATING REVENUES:									
NET SALES	5,026.4	5,495.4	5,210.3	5,375.1	5,536.4				
LESS: COST OF SALES	4,511.2	4,399.0	4,537.9	4,674.0	4,814.3				
GROSS PROFIT ON SALES	515.2	1,096.4	672.4	701.1	722.1				
OTHER REVENUE	3.1	0.1	0.0	0.0	0.0				
NET REVENUES	518.3	1,096.5	672.4	701.1	722.1				
LESS: OPERATING EXPENSES:									
SALARIES	248.2	405.7	339.1	349.3	359.8				
SUPPLIES & EXPENSES	152.7	139.4	152.8	157.4	162.1				
INDIRECT COSTS	183.0	214.2	164.0	168.9	174.0				
AMORTIZATION & DEPRECIATION	16.2	23.5	25.0	25.8	26.5				
TOTAL OPERATING EXPENSES	600.1	782.8	680.9	701.4	722.4				
OPERATING INCOME (LOSS)	(81.8)	313.7	(8.5)	(0.3)	(0.3)				
NON-OPERATING REVENUES (EXPENSES)	(6.8)	(0.6)	0.0	0.0	0.0				
NET INCOME (LOSS)	(88.6)	313.1	(8.5)	(0.3)	(0.3)				
BEGINNING RETAINED EARNINGS	107.8	19.2	332.3	323.8	323.5				
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0				
ENDING RETAINED EARNINGS	19.2	332.3	323.8	323.5	323.2				
FOOTNOTES TO STATEMENTS:									
RATE INCREASE/(DECREASE):	1.20%	4.20%	-0.20%	3.00%	3.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE)	2.24%								
ASSETS:									
CURRENT ASSETS:									
CASH						680.1	1,237.9	969.4	
OTHER CURRENT ASSETS						866.7	808.2	808.0	
TOTAL CURRENT ASSETS						1,546.8	2,046.1	1,777.4	
NON-CURRENT ASSETS:						277.6	196.2	459.6	
TOTAL ASSETS						1,824.4	2,242.3	2,237.0	
LIABILITIES & FUND EQUITY:									
LIABILITIES:									
CURRENT LIABILITIES:									
DUE GENERAL FUND - CURRENT						8.5	8.5	0.0	
MASTER LEASE - CURRENT						0.0	0.0	0.0	
OTHER CURRENT LIABILITIES						389.5	443.7	455.2	
TOTAL CURRENT LIABILITIES						398.0	452.2	455.2	
NON-CURRENT LIABILITIES:									
DUE GENERAL FUND - NON-CURRENT						10.6	2.1	0.0	
MASTER LEASE - NON-CURRENT						0.0	0.0	0.0	
OTHER NON-CURRENT LIABILITIES						31.6	90.7	93.0	
TOTAL NON-CURRENT LIABILITIES						42.2	92.8	93.0	
TOTAL LIABILITIES						440.2	545.0	548.2	
FUND EQUITY:									
CONTRIBUTED CAPITAL						1,365.0	1,365.0	1,365.0	
RETAINED EARNINGS						19.2	332.3	323.8	
TOTAL FUND EQUITY						1,384.2	1,697.3	1,688.8	
TOTAL LIABILITIES & FUND EQUITY						1,824.4	2,242.3	2,237.0	

DEPARTMENT OF ADMINISTRATION
DIVISION of PRINT COMMUNICATIONS

REVOLVING FUND ACTIVITY: MICROGRAPHICS and RECORDS CENTER
BUDGET ACTIVITY: 02 - 443
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 87

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 96/97
PROGRAM: OPERATIONS MANAGEMENT

	* OPERATIONS DATA *					* FINANCIAL DATA *		
	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	PROJECTED FY 1997	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995
OPERATING REVENUES:								
NET SALES	1,099.4	1,047.6	1,139.9	1,153.5	1,188.2			
LESS: COST OF SALES	76.1	41.2	59.5	61.3	63.2			
GROSS PROFIT ON SALES	1,023.3	1,006.4	1,080.4	1,092.2	1,125.0			
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0			
NET REVENUES	1,023.3	1,006.4	1,080.4	1,092.2	1,125.0			
LESS: OPERATING EXPENSES:								
SALARIES	711.2	720.4	690.6	711.4	732.7			
SUPPLIES & EXPENSES	274.7	218.4	281.8	288.6	297.3			
INDIRECT COSTS	34.7	38.5	63.2	65.1	67.1			
AMORTIZATION & DEPRECIATION	30.7	31.2	29.3	29.2	29.2			
TOTAL OPERATING EXPENSES	1,051.3	1,008.5	1,064.9	1,094.3	1,126.3			
OPERATING INCOME (LOSS)	(28.0)	(2.1)	15.5	(2.1)	(1.3)			
NON-OPERATING REVENUES (EXPENSES)	5.6	(2.4)	12.4	11.3	11.7			
NET INCOME (LOSS)	(22.4)	(4.5)	27.9	9.2	10.4			
BEGINNING RETAINED EARNINGS	(26.2)	(48.6)	(53.1)	(25.2)	(16.0)			
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0					
ENDING RETAINED EARNINGS	(48.6)	(53.1)	(25.2)	(16.0)	(5.6)			
FOOTNOTES TO STATEMENTS:								
RATE INCREASE/(DECREASE):	2.30%	3.00%	5.60%	1.20%	3.00%			
FIVE YEAR AVERAGE INCREASE/(DECREASE)	3.02%							
ASSETS:								
CURRENT ASSETS:								
CASH						25.6	32.0	30.0
OTHER CURRENT ASSETS						163.8	153.3	140.0
TOTAL CURRENT ASSETS						189.4	185.3	170.0
NON-CURRENT ASSETS:								
TOTAL ASSETS						272.0	238.2	240.0
LIABILITIES & FUND EQUITY:								
LIABILITIES:								
CURRENT LIABILITIES:								
DUE GENERAL FUND - CURRENT						0.0	0.0	0.0
MASTER LEASE - CURRENT						30.2	30.2	20.5
OTHER CURRENT LIABILITIES						122.0	102.9	113.7
TOTAL CURRENT LIABILITIES						152.2	133.1	134.2
NON-CURRENT LIABILITIES:								
DUE GENERAL FUND - NON-CURRENT						0.0	0.0	0.0
MASTER LEASE - NON-CURRENT						50.8	20.6	0.0
OTHER NON-CURRENT LIABILITIES						0.0	21.3	20.0
TOTAL NON-CURRENT LIABILITIES						50.8	41.9	20.0
TOTAL LIABILITIES						203.0	175.0	154.2
FUND EQUITY:								
CONTRIBUTED CAPITAL						117.6	116.3	111.0
RETAINED EARNINGS						(48.6)	(53.1)	(25.2)
TOTAL FUND EQUITY						69.0	63.2	85.8
TOTAL LIABILITIES & FUND EQUITY						272.0	238.2	240.0

DEPARTMENT OF ADMINISTRATION
DIVISION of PRINT COMMUNICATIONS

REVOLVING FUND ACTIVITY: CENTRAL MAIL
BUDGET ACTIVITY: 02 - 518
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 98

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 96/97
PROGRAM: OPERATIONS MANAGEMENT

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	FY 1997		ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	
OPERATING REVENUES:						ASSETS:				
NET SALES	311.5	307.0	263.6	271.5	279.7	CURRENT ASSETS:				
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	102.2	138.7	105.7	
GROSS PROFIT ON SALES	311.5	307.0	263.6	271.5	279.7	OTHER CURRENT ASSETS	45.9	34.1	34.0	
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	148.1	172.8	139.7	
NET REVENUES	311.5	307.0	263.6	271.5	279.7	NON-CURRENT ASSETS:	29.4	18.3	9.4	
LESS: OPERATING EXPENSES:						TOTAL ASSETS	177.5	191.1	149.1	
SALARIES	246.3	241.9	212.5	218.9	225.4	LIABILITIES & FUND EQUITY:				
SUPPLIES & EXPENSES	36.0	36.6	59.0	60.8	62.6	LIABILITIES:				
INDIRECT COSTS	12.7	9.8	21.0	21.6	22.3	CURRENT LIABILITIES:				
AMORTIZATION & DEPRECIATION	11.0	11.1	8.9	8.1	7.5	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0	
TOTAL OPERATING EXPENSES	306.0	299.4	301.4	309.4	317.8	MASTER LEASE - CURRENT	0.0	0.0	0.0	
OPERATING INCOME (LOSS)	5.5	7.6	(37.8)	(37.9)	(38.1)	OTHER CURRENT LIABILITIES	32.4	32.2	28.4	
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	32.4	32.2	28.4	
NET INCOME (LOSS)	5.5	7.6	(37.8)	(37.9)	(38.1)	NON-CURRENT LIABILITIES:	0.0	0.0	0.0	
BEGINNING RETAINED EARNINGS	67.2	72.7	80.3	42.5	4.6	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0	
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0			MASTER LEASE - NON-CURRENT	0.0	0.0	0.0	
ENDING RETAINED EARNINGS	72.7	80.3	42.5	4.6	(33.5)	OTHER NON-CURRENT LIABILITIES	5.2	11.4	11.0	
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	5.2	11.4	11.0	
						TOTAL LIABILITIES	37.6	43.6	39.4	
						FUND EQUITY:				
						CONTRIBUTED CAPITAL	67.2	67.2	67.2	
						RETAINED EARNINGS	72.7	80.3	42.5	
						TOTAL FUND EQUITY	139.9	147.5	109.7	
						TOTAL LIABILITIES & FUND EQUITY	177.5	191.1	149.1	
RATE INCREASE/(DECREASE):	2.20%	0.00%	9.40%	3.00%	3.00%					
FIVE YEAR AVERAGE INCREASE/(DECREASE)	3.52%									

DEPARTMENT OF ADMINISTRATION
DIVISION of PRINT COMMUNICATIONS

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

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 96/97
PROGRAM: OPERATIONS MANAGEMENT

	* OPERATIONS DATA *					* FINANCIAL DATA *			
	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	PROJECTED FY 1997	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	
(Dollars in Thousands)									
OPERATING REVENUES:						ASSETS:			
NET SALES	2,097.8	2,171.2	2,182.5	2,248.3	2,315.7	CURRENT ASSETS:			
LESS: COST OF SALES	833.0	896.7	764.0	786.9	810.5	CASH	367.7	678.1	800.0
GROSS PROFIT ON SALES	1,264.8	1,274.5	1,418.5	1,461.4	1,505.2	OTHER CURRENT ASSETS	457.4	383.5	432.0
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	825.1	1,061.6	1,232.0
NET REVENUES	1,264.8	1,274.5	1,418.5	1,461.4	1,505.2	NON-CURRENT ASSETS:	113.8	75.7	50.0
LESS: OPERATING EXPENSES:						TOTAL ASSETS	938.9	1,137.3	1,282.0
SALARIES	709.1	743.8	733.6	755.6	778.3	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	374.0	384.1	471.0	485.1	499.7	LIABILITIES:			
INDIRECT COSTS	66.3	45.4	47.5	48.9	50.4	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	54.4	53.4	26.0	40.0	40.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	1,203.8	1,226.7	1,278.1	1,329.6	1,368.4	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	61.0	47.8	140.4	131.8	136.8	OTHER CURRENT LIABILITIES	244.2	320.2	320.0
NON-OPERATING REVENUES (EXPENSES)	15.1	16.6	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	244.2	320.2	320.0
NET INCOME (LOSS)	76.1	64.4	140.4	131.8	136.8	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	169.1	195.2	292.6	433.0	564.8	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
RESIDUAL EQUITY TRANSFER	(50.0)	0.0	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
REFUND OF PRIOR YEAR SALES TAX	0.0	33.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	4.5	29.5	34.0
ENDING RETAINED EARNINGS	195.2	292.6	433.0	564.8	701.6	TOTAL NON-CURRENT LIABILITIES	4.5	29.5	34.0
FOOTNOTES TO STATEMENTS:						FUND EQUITY:			
Statements include both the Bookstore and the State Register.						CONTRIBUTED CAPITAL	495.0	495.0	495.0
Rate change percentages are for the State Register only.						RETAINED EARNINGS	195.2	292.6	433.0
RATE INCREASE/(DECREASE):	3.50%	1.60%	0.00%	3.00%	3.00%	TOTAL FUND EQUITY	690.2	787.6	928.0
FIVE YEAR AVERAGE INCREASE/(DECREASE)	2.22%					TOTAL LIABILITIES & FUND EQUITY	938.9	1,137.3	1,282.0

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

The mission of the Minnesota Office on Volunteer Services (MOVS) 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, members of the media, and others.

This activity provides services to public, private, and nonprofit volunteer programs and organizations through: 1) **Promotion** - Bringing visibility and public recognition to the values and accomplishments of volunteerism in Minnesota through media and other events, public speaking, and publication. 2) **Leadership** - Identifying and acting on issues of policy and practices that affect volunteerism in Minnesota through research, monitoring trends, advocacy, convening, and making recommendations. 3) **Support** - Informing, coordinating, and maximizing the effectiveness of volunteer programs and initiatives in Minnesota through technical assistance, library resources, workshops, training, consulting, and MOVS memberships.

MOVS supports the mission of the Department of Administration, "To improve the quality and productivity of Minnesota government." A strong volunteer community brings efficiency and effectiveness to state government through the resources, perspective, and services of volunteers both within state and local government and throughout communities, solving problems through citizen action rather than government intervention.

BUDGET ISSUES:

The 3 most pressing budget issues are 1) responding to an increase in the quantity and complexity of requests for service without additional staff and financial resources; 2) ensuring access to MOVS' services for low-income customers and programs in greater Minnesota; and 3) supporting growth of the Minnesota Mentor Network without state resources.

REVENUE:

This activity generates dedicated revenue.

	Dollars in Thousands				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue:					
Dedicated - Special	\$ 45	\$64	\$80	\$80	\$80
Dedicated - Federal	<u>631</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$676	\$64	\$80	\$80	\$80

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	175	225	242	242	242	242	242	242	242
EXPENSES/CONTRACTUAL SRVCS	93	71	67	87	87	87	88	88	88
MISC OPERATING EXPENSES	33	29	33	33	33	33	33	33	33
SUPPLIES/MATERIALS/PARTS	17	7	5	5	5	5	5	5	5
CAPITAL EQUIPMENT	8								
OTHER	3	2	3	3	3	3	3	3	3
SUBTOTAL STATE OPERATIONS	329	334	350	370	370	370	371	371	371
LOCAL ASSISTANCE	611								
TOTAL EXPENDITURES	940	334	350	370	370	370	371	371	371
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	260	284	283	303	303	303	304	304	304
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	40	45	67	67	67	67	67	67	67
FEDERAL	632								
GIFTS AND DEPOSITS	8	5							
TOTAL FINANCING	940	334	350	370	370	370	371	371	371
FTE BY EMPLOYMENT TYPE:									
REGULAR	4.1	4.8	5.0		5.0			5.0	
TOTAL FTE	4.1	4.8	5.0		5.0	5.0		5.0	5.0

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PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

PROGRAM DESCRIPTION:

The mission of the InterTechnologies Group is to provide service in managing and operating information technology resources to help improve the quality and productivity of Minnesota government. By statute, InterTech is responsible for the following:

- integrate and operate the state's computer facilities to serve the needs of state government;
- supervise and control all state telecommunication facilities; and
- plan, develop, and operate a statewide telecommunications access routing system to provide cost-effective telecommunications transmission services to system users.

InterTech provides: data processing, telecommunications (voice, data, and video) and 9-1-1 services. Approximately 90% of these services are provided for a fee, collected through the revolving fund. The remaining 10% are funded by other means because they benefit the state as a whole or directly serve its citizens. For example, the telecommunications analysts and the telephone communications center receive general fund appropriations; the 9-1-1 activity is supported through a special revenue fund.

InterTech's customers are primarily from the public sector: state agencies, the legislature, K-12 education, higher education, cities, counties, the courts, and libraries.

Among the issues that will impact InterTech and its customers in the next biennium are:

- Cooperative development of a telecommunications infrastructure that will achieve savings through economies of scale and meet agencies' burgeoning needs for data and video services. This infrastructure will be shared by organizations such as city, county, and state agencies, state colleges and universities, libraries, and others. In addition to the challenges of obtaining agency cooperation in an endeavor of this scale, InterTech must overcome certain limitations in funding and must obtain or train technically qualified staff. Furthermore, InterTech is in a noncompetitive position with higher education institutions which are exempt from sales tax when purchasing directly from vendors. Because InterTech must pay sales tax on purchases of telecommunications services, those costs are passed along to its customers. The sales tax issue is a barrier to achieving the full benefits of the statewide telecommunications infrastructure. There is urgency in deploying a system of contemporary technology since a high-capacity, high-connectivity statewide network will permit state government to more efficiently and effectively provide services to citizens.
- Aggressive pursuit of strategies that will enable InterTech to become an even more cost-effective service provider. Customers rely on InterTech to leverage its human and capital resources, provide trained staff qualified to implement current technological solutions to business problems, and keep services affordable. Credibility is an essential element in the relationship between InterTech and its customers.

PROGRAM STATUS:

InterTech completed a comprehensive strategic planning effort in 1992. Since then, pursuit of the goals and objectives of that effort have been a major focus for the entire organization. Among those objectives are:

- creating effective partnerships with customers and developing clearly defined roles for the entire information community;
- developing a product portfolio that meets customer needs, is technically current, and financially viable;
- developing management systems and practices which help InterTech maintain a flexible, technically current workforce in which employees respond quickly and effectively to changing customer needs, allowing InterTech to add value beyond that supplied by other sources;
- positioning InterTech to be a state leader in information technology by fully utilizing technology to help solve agencies' business problems.

Major impacts on InterTech's business in the past year include the installation of the Human Services Department's Medicaid Management Information System II (MMIS II), development of the infrastructure to operate the applications associated with the Statewide Systems Project, and the design and installation of MNet, the backbone telecommunications network for data and video.

When the installation of MMIS II is complete, InterTech will provide service to approximately 25,000 medical providers (doctors, pharmacists, etc.) who may require InterTech to provide on-line service 24 hours per day, 7 days per week. The net impact of MMIS II on InterTech's processing and network workloads is approximately a 25 to 30% increase.

Implementation of the Statewide Systems Project applications is expected to increase InterTech's processing workload by approximately 10 to 15%, a manageable amount. However, the new human resource/payroll system is the first statewide client server application. Based on the experiences of other government and private data centers, client server implementations are challenging. InterTech has taken preparatory steps to ensure a smooth implementation.

A significant increase in the utilization of telecommunications services is expected as agencies learn to leverage the network to the benefit of their programs' needs. New services or technologies, such as kiosks, increased public access to information, and telecommuting will further prompt this growth.

PLANNED RESULTS:

State priorities, such as increasing government efficiency, will motivate government agencies to leverage technology to accomplish program goals. The resulting trends will raise budget issues for InterTech. For example:

- State agencies will seek to automate both new and existing business processes, prompting InterTech to provide more technical resources.
- Government will provide more services in cooperation with private sector vendors.
- More business transactions will take place by means of electronic commerce.
- The pressure to provide greater public access to state data will increase.

PROGRAM: InterTechnologies Group
AGENCY: (Continuation)

The objectives and measures identified in InterTech's annual performance report focus on meeting customer needs (customer satisfaction), being a cost-effective service provider (efficient and competitive), and ensuring access to critical services.

BUDGET AND REVENUE SUMMARY:

Although InterTech anticipates rate reductions in both years of the biennium, most customer agencies will see an overall increase in InterTech costs (combined data center and telecommunications) of up to 5% per year. The impact of reduced rates will be offset by increased work volume. Agencies which implement new, large systems, expand the usage of existing systems, or launch telecommunications initiatives will see a somewhat larger increase in their total, or aggregate, InterTech costs. Agencies whose systems are unlikely to increase utilization, or agencies which will migrate some utilization to other platforms, could see a decrease in their total, or aggregate, InterTech costs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for a biennial increase of \$4,500,000 for the Telecommunication Infrastructure.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: INTERTECHNOLOGIES GROUP

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
INTERTECH	5,425	1,035	1,449	1,253	1,253	3,503	1,253	1,253	3,503
9-1-1 EMERGENCY SERVICES	3,348	4,097	6,425	6,425	6,425	6,425	6,425	6,425	6,425
TOTAL EXPENDITURES BY ACTIVITY	8,773	5,132	7,874	7,678	7,678	9,928	7,678	7,678	9,928
GOV'S INITIATIVES:									
			FUND						
(B) TELECOMMUNICATION INFRASTRUCTURE			GEN			2,250			2,250
TOTAL GOV'S INITIATIVES						2,250			2,250
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	1,854								
GENERAL	2,319	1,035	1,449	1,253	1,253	3,503	1,253	1,253	3,503
MN RESOURCES	353								
HEALTH CARE ACCESS	27								
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	3,348	4,097	6,425	6,425	6,425	6,425	6,425	6,425	6,425
SPECIAL REVENUE	872								
TOTAL FINANCING	8,773	5,132	7,874	7,678	7,678	9,928	7,678	7,678	9,928
FTE BY EMPLOYMENT TYPE:									
REGULAR	271.3	248.2	248.2		248.2		248.2		
TEMP/SEAS/PART_TIME	9.6	1.3	1.3		1.3		1.3		
OVERTIME	3.8	4.2	4.2		4.2		4.2		
TOTAL FTE	284.7	253.7	253.7		253.7	253.7	253.7		253.7

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

The InterTechnologies Revolving Fund provides data processing and telecommunications services including: shared processing, network management, electronic mail, data entry, computer-output-to-microfilm, long distance voice network service, local voice service, data transmission, and interactive video service.

The primary market of InterTech's enterprise servers (or central computer facility) totals over 13,500 customers in various state and local government agencies throughout Minnesota. The largest concentration 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 revolving fund services.

The voice communications network (Centron) serves over 38,000 customers throughout the state; it is the third-largest carrier of voice traffic in Minnesota (behind AT&T and MCI). The primary customers of InterTech's voice services are the State University System and the departments of Natural Resources, Human Services, Public Safety, and Transportation.

MNet is the statewide digital network installed by InterTech over the past 2 years to serve state agencies, education, local governments, federal agencies, and private colleges. Currently, MNet consists of 11 backbone "hubs" located in major cities around the state and connected to the hub in St. Paul. The hub sites are Duluth, Rochester, St. Cloud, Hibbing, Marshall, Mankato, Willmar, Moorhead, Bemidji, Brainerd, and Thief River Falls.

An interactive video conference service is being deployed to improve communications between rural and urban parts of the state, reduce travel costs, and improve productivity. Twenty-two interactive video sites are operational on the network, an additional 24 are planned by the end of CY 1994, and significant expansion is expected after that date.

BUDGET ISSUES:

Historically, periods marked by poor economic indicators and tight budgets have resulted in increased business for the InterTechnologies revolving fund. This increase results from 2 sources: additional volumes from citizens' use of public assistance systems and increased interest on the part of government agencies in leveraging technology to accomplish their program goals. These impacts on the 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 InterTech's rates. Another budget issue is the difficulty of making accurate volume predictions with customers in sufficient time to anticipate additional resource needs.

Customer agencies project increased workload volume of InterTech services in the next biennium. As a result of the refocusing effort, InterTech has improved deployment and management of

resources to meet customer needs. Staffing and expenditure levels have remained stable while meeting the demands of increased workload volume.

In preparing the F.Y. 1996-97 biennial budget, InterTech consulted with key customers (agencies which account for about 80% of the revolving fund's business) and used this information to validate utilization and cost estimates. For example:

- Data center services will see a moderate increase in usage, while per unit costs will decline. Increased usage will cause aggregate costs to increase moderately.
- Telecommunications services will see a significant increase in usage, while per unit costs will decline. Aggregate costs will increase moderately.

Telecommunications network services offer significant opportunities to take advantage of economies of scale throughout Minnesota's public sector. A shift in funding policy will allow Minnesota to leverage these economies of scale, improve technology transfer to customers, 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.

General fund expenditures for telecommunications were reduced each year in the past biennium to meet budget guidelines. However, as MNet grows, so do public sector demands for consulting services for data transmission, interactive video, and local area network (LAN).

REVENUE:

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

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: INTERTECH

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,960	861	940	940	940	940	940	940	940
EXPENSES/CONTRACTUAL SRVCS	2,404	67	133	133	133	133	133	133	133
MISC OPERATING EXPENSES	165	75	335	164	164	2,414	164	164	2,414
SUPPLIES/MATERIALS/PARTS	229	21	16	16	16	16	16	16	16
CAPITAL EQUIPMENT	185	11							
OTHER	42								
SUBTOTAL STATE OPERATIONS	4,985	1,035	1,424	1,253	1,253	3,503	1,253	1,253	3,503
LOCAL ASSISTANCE	440		25						
TOTAL EXPENDITURES	5,425	1,035	1,449	1,253	1,253	3,503	1,253	1,253	3,503
GOV'S INITIATIVES:									
			FUND						
(B) TELECOMMUNICATION INFRASTRUCTURE			GEN			2,250			2,250
TOTAL GOV'S INITIATIVES						2,250			2,250
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	1,854								
GENERAL	2,319	1,035	1,449	1,253	1,253	3,503	1,253	1,253	3,503
MN RESOURCES	353								
HEALTH CARE ACCESS	27								
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	872								
TOTAL FINANCING	5,425	1,035	1,449	1,253	1,253	3,503	1,253	1,253	3,503

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: INTERTECH

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
REGULAR	268.3	245.2	245.2		245.2		245.2		
TEMP/SEAS/PART_TIME	9.6	1.3	1.3		1.3		1.3		
OVERTIME	3.8	4.2	4.2		4.2		4.2		
TOTAL FTE	281.7	250.7	250.7		250.7	250.7	250.7		250.7

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Administration, Department of
PROGRAM: InterTechnologies Group
ACTIVITY: InterTech

ITEM TITLE: Telecommunication Infrastructure

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$2,250	\$2,250	\$2,250	\$2,250
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$(250)	\$(250)	\$(250)	\$(250)

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 297A.25, subd. 11

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$4,500,000 for the biennium to fund the telecommunication infrastructure.

RATIONALE:

MNet, the statewide digital telecommunications network installed over the past 2 years, serves state agencies, education, local governments, federal agencies, and private colleges. Currently, MNet consists of 12 backbone hubs located in major cities around the state: St. Paul, Duluth, Rochester, St. Cloud, Hibbing, Marshall, Mankato, Willmar, Moorhead, Bemidji, Brainerd and Thief River Falls.

The hubs are connected by high-speed T1 digital facilities to St. Paul. Customers in Greater Minnesota must pay for the transport facilities on the backbone network to reach St. Paul for video conference services, to access data bases and the Internet, and to exchange electronic messages (e-mail). As a result, these network customers are greatly disadvantaged since it costs them more to use MNet and realize the benefits of doing so.

MNet customers are demanding dial-up services throughout the state for many applications. Particularly interested are K-12 educational institutions seeking dial-up access to the Internet. Other customers desire Internet access as well. Agency employees need remote access to databases and e-mail to facilitate communications and telecommuting. In addition, small agencies and small volume users want access to the state's network, mainframe databases and the Internet. Legislators have

expressed an interest in dial-up capability to access their e-mail in St. Paul. The Statewide Systems Project will produce key dial-up applications for a wide variety of customers. Using dial-up service in Greater Minnesota incurs expensive long distance charges which agencies and educational institutions in the metro area do not have to pay.

Admin currently pays state sales tax on all services procured from telephone companies and other telecommunication vendors. This includes long distance and other services that Admin purchases on a large-quantity basis on behalf of all state agencies through a contract with MCI. The sales tax paid by Admin is passed along to customer agencies, adding approximately 1 cent per minute to Admin's long distance telephone rates. State universities, community colleges and technical colleges, which constitute about 20% of the total state telephone service provided by Admin, are exempt from paying sales tax when purchasing directly from a vendor. Even though they are tax exempt, the higher educational institutions must, in fact, pay state sales tax when they purchase telephone services from Admin.

The Department of Administration requests a statutory change to exempt telephone service and equipment purchases from sales tax.

PROGRAM OUTCOMES:

This initiative provides a general fund appropriation to upgrade and maintain the backbone network infrastructure for additional capacity and reliability. The existing hub equipment and network will be upgraded with fiber optic facilities to accommodate higher bandwidth. As part of the backbone infrastructure, routers and multi-point video conferencing equipment will be installed at the hub sites. The network will be designed to provide alternate paths between hubs to improve reliability.

The initiative provides funds for the capital equipment and maintenance required to upgrade the hub equipment, InterTech's Network Operations Center hardware and software to manage the network, routers and multi-point video conferencing equipment at the hub sites and the fiber optic DS3 facilities leased from the telephone companies. It also provides funds to establish dial-up service connections to up to 100 cities in Greater Minnesota, allowing customers to access the network through local dial-up services, thus avoiding long distance charges. The dial-up calls will be routed over the MNet backbone network. This capability will also provide a low-cost method of connecting "kiosks" to InterTech's network, depending on the application.

The initiative will allow the rapid expansion of MNet's backbone to meet the growing demand for telecommunications services and to provide a mesh topography to improve reliability. It will lower the rates for backbone transport of data and video to all customer agencies and help equalize the "distance disadvantage" of the Greater Minnesota customers. The fiber optic DS3 capacity will enable us to handle the substantial growth in data and video traffic for the next 2 years.

MNet's network is currently the primary telecommunications infrastructure for state government and higher education. The fiber optic facilities will allow MNet to become the information superhighway for all state agencies, local governments, and K-12 and higher education in the state. Mission-critical video and data traffic will use these high quality facilities. Customers will realize lower costs for using this network rather than building their own stand-alone networks. It will encourage them to use this technology to improve their efficiency and lower their costs. For example, expanded use of video conferencing significantly reduces travel costs.

The general fund appropriation will be used for the backbone network and dial-up infrastructure.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Administration, Department of
PROGRAM: InterTechnologies Group
ACTIVITY: InterTech

ITEM TITLE: Telecommunication Infrastructure
(Continuation)

Customers will continue to pay for equipment located on their premises, access to the nearest hub site, and the support and maintenance required for that access. Customers will also pay for the lines and modems they use to access the dial-up service. The appropriation does not cover personnel or other support costs. These costs will continue to be recovered in rates charged to customers. A nominal monthly subscription fee (estimated at \$10 per month) will be charged to dial-up users to recover the support costs required to administer the service. Included in the subscription fee will be a set amount of connect time per month. When this amount is exceeded, customers will be charged a nominal fee per additional hour to encourage efficient use of the network.

Current statutes impose a significant financial disincentive for higher education agencies to use MNet since the Admin must charge sales tax but private vendors do not. If higher education were to pull out of MNet, costs for other agencies would increase dramatically and overall state costs would increase. Admin depends on large-volume contracts to leverage economies of scale to hold down costs and to maintain a single, integrated, high-capacity, high-connectivity statewide network. This strategy speeds the deployment of communications services throughout the state, expedites technology transfer to customers, and avoids the cost of maintaining outdated systems. A network of contemporary technology will permit the state to implement more efficient, effective government operations.

LONG-TERM IMPACT:

This initiative will enable state agencies, local governments, and educational institutions to communicate more effectively by expanding the statewide use of interactive video, e-mail, data file transfers, and remote data base access. It will encourage customers to expand their use of technology to develop applications that improve their efficiency, lower costs and improve delivery of services to the public. It will alleviate the distance disadvantage for Greater Minnesota locations.

Since these fiber optic backbone facilities are leased from the telephone companies, it will accelerate the deployment of these facilities in order to provide the service to MNet. The telephone companies can use spare capacity in these facilities to provide the same service to the private sector. This can have a favorable impact on economic development in these locations.

This initiative requires a legislative change to exempt the InterTech revolving fund from paying sales tax on telecommunications purchases that benefit both taxable and non-taxable agencies. This change would preserve the tax-exempt status of higher education institutions and maintain the benefits of large, bulk procurement for all agencies. The requested exemption would apply to facilities purchased from telephone companies and capital equipment used to provide telecommunications services to customers.

DEPARTMENT OF ADMINISTRATION
DIVISION of INTERTECH

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

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 96/97
PROGRAM: INTERTECHNOLOGIES GROUP

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	* OPERATIONS DATA *					* FINANCIAL DATA *			
	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	-----PROJECTED----- FY 1996	FY 1997	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	
OPERATING REVENUES:						ASSETS:			
NET SALES	46,696.6	49,120.9	56,684.0	58,960.0	61,832.0	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	15,348.4	7,832.4	6,894.6
GROSS PROFIT ON SALES	46,696.6	49,120.9	56,684.0	58,960.0	61,832.0	OTHER CURRENT ASSETS	8,371.6	6,953.8	6,000.0
OTHER REVENUE	73.8	1,919.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	23,720.0	14,786.2	12,894.6
NET REVENUES	46,770.4	51,039.9	56,684.0	58,960.0	61,832.0	NON-CURRENT ASSETS:	12,769.0	28,535.2	28,675.0
LESS: OPERATING EXPENSES:						TOTAL ASSETS	36,488.9	43,321.5	41,569.6
SALARIES	10,598.5	10,636.3	11,173.0	11,500.0	11,850.0	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	24,769.7	31,148.2	32,228.0	32,828.0	32,950.0	LIABILITIES:			
INDIRECT COSTS	889.1	367.1	457.0	457.0	457.0	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	8,762.3	10,100.7	12,400.0	13,700.0	16,100.0	DUE GENERAL FUND - CURRENT			
TOTAL OPERATING EXPENSES	44,819.6	52,252.3	56,258.0	58,485.0	61,357.0	MASTER LEASE - CURRENT	7,752.9	8,953.5	12,000.0
OPERATING INCOME (LOSS)	1,950.8	(1,212.4)	426.0	475.0	475.0	OTHER CURRENT LIABILITIES	6,005.2	3,529.6	5,500.0
NON-OPERATING REVENUES (EXPENSES)	(711.2)	(1,861.6)	(477.0)	(475.0)	(475.0)	TOTAL CURRENT LIABILITIES	13,758.2	12,483.0	17,500.0
NET INCOME (LOSS)	1,239.6	(3,074.0)	(51.0)	0.0	0.0	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	7,420.8	8,566.6	5,172.6	5,121.6	5,121.6	DUE GENERAL FUND - NON-CURRENT			
PRIOR PERIOD ADJUSTMENT	(93.9)	(319.9)				MASTER LEASE - NON-CURRENT	11,396.1	12,749.7	16,000.0
ENDING RETAINED EARNINGS	8,566.6	5,172.6	5,121.6	5,121.6	5,121.6	OTHER NON-CURRENT LIABILITIES	372.1	568.2	600.0
						TOTAL NON-CURRENT LIABILITIES	11,768.3	13,317.9	16,600.0
						TOTAL LIABILITIES	25,526.4	25,800.9	34,100.0
						FUND EQUITY:			
						CONTRIBUTED CAPITAL	2,348.0	2,348.0	2,348.0
						RETAINED EARNINGS	8,566.6	5,172.6	5,121.6
						TOTAL FUND EQUITY	10,914.6	7,520.6	7,469.6
						TOTAL LIABILITIES & FUND EQUITY	36,441.0	33,321.5	41,569.6
FOOTNOTES TO STATEMENTS:									
1. FY95 revenue and depreciation are higher than reflected in the rate package. These items are volume driven and are anticipated to be higher based on more current information.									
2. FY94 non-operating expenses includes anticipated \$2.0M payment to general fund.									
RATE INCREASE/(DECREASE):	-13.00%	-9.00%	-13.00%	-5.00%	-5.00%				
* However, we anticipate that aggregate costs will actually increase rates 5% due to expected volume increase.									
FIVE YEAR AVERAGE INCREASE/(DECREASE)	-9.00%								

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

The 9-1-1 emergency number system is designed to provide immediate access to emergency services. 9-1-1 saves time for the caller and reduces overall response time for all emergency service providers. Additional time is saved with enhanced 9-1-1 systems, which provide vital location identification information to the 9-1-1 center. InterTech's primary customers are the 112 Public Safety answering points operated by local government. In a broader sense, however, the telephone subscribers who dial 9-1-1 are also customers of the 9-1-1 program.

InterTech provides technical assistance to the cities and counties implementing, maintaining, and improving 9-1-1 systems, enforces rules which set system standards, and pays the state share of 9-1-1 costs from funds collected through a monthly statewide telephone surcharge (currently 14¢).

Initially, 9-1-1 was funded from the general fund. After the state mandate was established (9-1-1 in every county by the end of 1986), funding was shifted to the current method—a telephone subscriber fee. Currently, most efforts are directed toward administering processes for the collection of funds, verification and payment of invoices, and helping interested counties modernize their 9-1-1 systems.

Historical Information:

End of CY	1977	1982	1986	1992	1994
Event	9-1-1 Law in Effect	Metro Mandate Dec. 15	State Mandate Dec. 15	Mid-FY93	(projected) Mid-FY95
Coverage	14%	61%	86.8%	99.97%	100%
Enhanced	0%	51%	60.9%	67.9%	75%
Funding Source	General	General	Fee	Fee	Fee

BUDGET ISSUES:

Increased costs to maintain the 9-1-1 system may result because some telephone company requests for tariff changes are active at the Public Utilities Commission, and the result may cause increased prices to maintain the 9-1-1 system. While active intervention is used to keep costs reasonable, it is expected that 9-1-1 charges will increase in the future. Although charges for 9-1-1 will increase, more income will be derived from the existing fee because the number of people paying the fee will increase.

The implementing statute, M. S. Section 403, dedicates 9-1-1 receipts to be used to maintain and improve the 9-1-1 systems. Because we collect the 9-1-1 surcharge to the even penny, a relatively small over-collection is unavoidable. The funds carry forward to subsequent years, creating a carry-forward balance.

In F.Y. 1994, the availability of a carry-forward balance, a rebate of telephone company overcharges, and a reduction of billed amounts allowed the fee to be decreased from 18¢ to the current 14¢, and the remaining carry-forward and added cellular collections will allow the fee to remain at 14¢ through the end of F.Y. 1995. Changes to the 9-1-1 law require InterTech to distribute 10¢ of the 9-1-1 fee to cities and counties operating 9-1-1 centers, beginning in March 1995. Amounts remaining in the carry-forward fund balance mean that even though distribution of E 9-1-1 funds to counties will start in March 1995, increasing the 9-1-1 fee to 24¢ to cover the additional 10¢ will not be necessary until the beginning of F.Y. 1996.

REVENUE:

Funds are collected through a monthly statewide telephone fee which has been set by statute at not less than 8¢ nor more than 30¢ per month on each telephone line. The fee amount (currently 14¢) is set by the commissioner of Administration with the consent of the commissioner of Finance.

Recent Revenue levels (\$000)

Fiscal Year	1990	1991	1992	1993	1994	1995
Collections	\$4,567	\$4,675	\$4,783	\$4,935	\$4,709	\$4,285 (anticipated)
% Increase/Decrease		2.31%	2.26%	3.08%	(4.8%)	(9.9%)

The decrease in revenues in F.Y. 1994 is due to a reduction in the 9-1-1 fee to 14¢ but was offset by other receipts (mostly the rebate of telephone overcharges) of \$760,000. There is a further decrease in anticipated F.Y. 1995 revenues because it is expected that there will be no rebate, but that decrease will be partly offset by the addition of cellular subscribers who started paying the 14¢ fee at the beginning of F.Y. 1995. InterTech estimates 200,000 cellular subscribers, paying approximately \$336,000 per year in 9-1-1 fees. Although distribution of the enhanced 9-1-1 fund (the 10¢ E 9-1-1 component of the fee) for 4 months of 1995 will increase costs, the fee will not need to be increased to 24¢ until the beginning of F.Y. 1996 because carry-over funds are available in the 9-1-1 Special Revenue Fund.

Dollars in Thousands				
F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997

Type of Revenue:					
Dedicated - State Government					
Special Revenue	\$4,935	\$4,709	\$4,285	\$7,106	\$7,106

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: 9-1-1 EMERGENCY SERVICES

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	131	136	142	142	142	142	142	142	142
EXPENSES/CONTRACTUAL SRVCS	3	3,839	6,142	6,142	6,142	6,142	6,142	6,142	6,142
MISC OPERATING EXPENSES	3,188	11	13	13	13	13	13	13	13
SUPPLIES/MATERIALS/PARTS		1	1	1	1	1	1	1	1
CAPITAL EQUIPMENT	6	10							
OTHER	20		27	27	27	27	27	27	27
SUBTOTAL STATE OPERATIONS	3,348	3,997	6,325	6,325	6,325	6,325	6,325	6,325	6,325
LOCAL ASSISTANCE		100	100	100	100	100	100	100	100
TOTAL EXPENDITURES	3,348	4,097	6,425	6,425	6,425	6,425	6,425	6,425	6,425
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	3,348	4,097	6,425	6,425	6,425	6,425	6,425	6,425	6,425
TOTAL FINANCING	3,348	4,097	6,425	6,425	6,425	6,425	6,425	6,425	6,425
FTE BY EMPLOYMENT TYPE:									
REGULAR	3.0	3.0	3.0		3.0			3.0	
TOTAL FTE	3.0	3.0	3.0		3.0	3.0		3.0	3.0

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1996-97 Biennial Budget

PROGRAM: Facilities Management
AGENCY: Administration, Department of

PROGRAM DESCRIPTION:

This program manages the land and buildings owned or leased by the state (except certain Department of Natural Resources, Department of Transportation, and State University Systems properties) by planning, designing, constructing, operating, maintaining, leasing, renovating, and preserving state buildings and grounds, and administers and enforces the Minnesota State Building Code. Activities of this program are building construction, building code and standards, real estate management, and plant management.

The primary issues for these activities are:

- To provide decision makers with more in-depth information on capital project requests, it is important to continue with capital budget reform (implementation began in the 1994-95 biennium). This is a 6-year planning process designed to produce greater project accountability through identification of long-term capital needs and provide baseline information for a capital project from inception to occupancy.
- To meet agency construction project needs within required time lines and to maintain the current level of services, it is necessary to balance the workload by using bond funds to contract with the private sector.
- For budgetary purposes, it is necessary to leave positions vacant and reduce contract inspection services, although the demand for code-related services is growing and the need for non-code enforcement jurisdictions (470 cities and 70 counties) to adopt minimum safety standards. This reduced staffing will have a detrimental effect in the provision of training, assistance, and on overall compliance with statutory requirements.
- The addition of 34 technical colleges when the higher education agencies merge in July 1995, and placement of regional treatment center residents in community-based homes, will require leasing or acquiring 60 to 70 new residential facilities and will place an additional burden on limited real estate resources.
- Guiding state agencies in the reduction of pollution of the environment and a decreased dependence on natural resources will require diligent leadership in the areas of resource recovery, energy management, and transportation.

PROGRAM STATUS:

Facility Management's overall goals are to provide high quality, cost-effective, safe and healthy facilities and to continue implementing capital budget reform and the long-range *Strategic Plan for Locating State Agencies*.

As a part of capital budget reform, all capital improvement projects will go through the new pre-design stage introduced during the 1994 legislative session to establish basic elements of scope, cost,

and time schedule of a project. In the past, capital budget requests have not been well defined at the time of funding resulting in projects being scaled back, delayed, or phased over a number of years with project costs increased.

This program administers and enforces state building code and has the responsibility to ensure building codes and standards are uniformly adopted and administered to ensure buildings constructed comply with minimum health and safety standards. The enactment of the American with Disabilities Act (ADA) and proposed insurance rating of inspection departments are encouraging more cities and counties to adopt minimum safety standards. Currently 70 out of 87 counties and 470 out of 854 cities are non-code enforcement jurisdictions. Continued education and training are critical components in successful code administration, and budgetary restraints will restrict performance.

State agencies are located in space that is the most economical yet meets agency program needs, and fragmented agencies areas are consolidated and co-located whenever possible to conserve resources through the sharing of space, equipment, and staff and to improve public access to government services. Changes in agency programs such as the higher education merger and the Department of Human Services program change to community-based homes will have a significant impact on an activity with limited resources. Funding of real estate operations has not kept abreast with increased leasing activities. Within the city of St. Paul, leasing has significantly increased to the current level of 2 million square feet while state ownership has remained relatively constant at 1.2 million square feet. Historically, this activity has been under-funded making it necessary to supplement its operation from other activities in order to provide the level of services demanded.

Plant Management provides and maintains quality building environments that meet code requirements and customer needs and provides leadership in the management of resources in the areas of resource recovery, energy management, and transportation. Plant Management (except for its resource recovery and energy management which are general fund activities) is a revolving fund which needs to efficiently manage its operations to meet customer needs while controlling operating costs and lease rates. This activity recently reorganized its operation for improved delivery of services.

PLANNED RESULTS:

The budget plan will permit the performance measures contained in the 1994 Annual Performance Plan to be attained and will allow the program to:

- Develop pre-design cost plans that will provide key data on project scope, cost, and timing to either support the capital project as planned or identify where reductions could appropriately occur involving 45 projects in F.Y. 1996 and 50 projects in F.Y. 1997. This activity will be accomplished with existing staff.
- Provide in-house construction project services at an average cost of 65% less than the private sector.
- Improve administration and enforcement of codes and standards by local units of government through training, direct assistance, and monitoring efforts. By the end of F.Y. 1997 the number of cities and counties adopting the Accessibility Code or Minnesota State Building Code will increase by 15%, and will help produce safer buildings, reduce loss of life and personal injury and property value loss, and improve accessibility for the disabled community. Leaving positions vacant could cause this performance outcome to be lower.

1996-97 Biennial Budget

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

- Maintain a 4% annual savings in negotiated rent as compared to market rental rates; and maintain a 75% or better customer satisfaction rating in meeting state agency space needs.
- Control operating and maintenance cost increases at or below the rate of inflation (3%) and achieve a 73% customer satisfaction rating with the quality of services provided in facilities under the custodial control of the Department of Administration.
- Increase recycling recovery rate by 1% for a total 63% of material recovered in the Capitol Complex and 55% of materials recovered in facilities housing state government in the metropolitan area.
- Improve energy efficiency through energy retrofit projects which will reduce energy consumed in state owned and wholly leased buildings by 6,000 British Thermal Units (BTU) per square foot annually from the base year of F.Y. 1990. This will be accomplished with existing staff and through no interest loans from utility companies to complete retrofit work.
- Increase the number of carpools by 4% annually and reduce by 3% annually the number of single occupancy vehicles parking in Capitol C Complex. This activity is funded through parking revenues.

BUDGET AND REVENUE SUMMARY:

Dedicated revenues are generated by the Plant Management and Building Construction activities. Non-dedicated revenues are generated by Real Estate Management, Plant Management, and Building Codes and Standards. No significant changes are anticipated over the next biennium.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: FACILITIES MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
REAL ESTATE MANAGEMENT	283	440	571	330	330	330	331	331	331
PLANT MANAGEMENT	1,630	2,371	2,336	2,315	2,315	2,315	2,321	2,321	2,321
BUILDING CODE & STANDARDS	1,898	1,820	1,896	1,880	1,880	1,880	1,884	1,884	1,884
BUILDING CONSTRUCTION	3,358	4,370	4,202	4,134	4,134	4,134	4,137	4,137	4,137
TOTAL EXPENDITURES BY ACTIVITY	7,169	9,001	9,005	8,659	8,659	8,659	8,673	8,673	8,673
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	5,380	5,213	5,612	5,266	5,266	5,266	5,280	5,280	5,280
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	757	1,398	1,300	1,300	1,300	1,300	1,300	1,300	1,300
FEDERAL	469	1,604	1,199	1,199	1,199	1,199	1,199	1,199	1,199
AGENCY	2								
GIFTS AND DEPOSITS	561	786	894	894	894	894	894	894	894
TOTAL FINANCING	7,169	9,001	9,005	8,659	8,659	8,659	8,673	8,673	8,673
FTE BY EMPLOYMENT TYPE:									
REGULAR	263.9	281.7	281.7		281.7			281.7	
TEMP/SEAS/PART_TIME	4.8	11.1	11.1		11.1			11.1	
OVERTIME	1.9	2.0	2.0		2.0			2.0	
TOTAL FTE	270.6	294.8	294.8		294.8	294.8		294.8	294.8

1996-97 Biennial Budget

BUDGET ACTIVITY: Real Estate Management
PROGRAM: Facilities Management
AGENCY: Administration, Department of (Admin)

ACTIVITY DESCRIPTION:

Key activities of this division are:

- To provide, allocate, and lease state-owned and nonstate-owned real property to house state agencies in quality spaces at the most economical rent.
- To generate revenue by leasing state-owned property temporarily not needed for state use.
- To provide space programming and monitor construction for compliance with terms and conditions of leases.
- To assist agencies in acquiring and disposing of real property, issue utility easements and permits, and transfer custodial control of property between agencies.
- To manage the Capitol Child Care Center vendor contract.

BUDGET ISSUES:

The state leases approximately 70% of the space it occupies. Recent life cycle cost analyses on owning and leasing real estate have shown that it is more economical to own than lease facilities. Case by case life cycle cost analyses of owning and leasing facilities should continue to determine the most economic manner of providing space for state agencies.

Real estate transactions have become more complex due to issues involving accessibility, code compliance, indoor air quality, hazardous materials, and the parties to a transaction wanting to shift and minimize risk. The division addresses these issues while also meeting state agencies' space needs so that products and services can be delivered to their customers.

Consolidation and co-location of agencies continues to be a priority. The anticipated results of this effort are to conserve resources by sharing space, equipment, and staff. Consolidation and co-location also offer the public the ability to obtain products and services and to conduct more than 1 transaction at a location that is visible and easily identifiable. Consolidation and co-location also facilitate transportation pools.

REVENUE:

This activity generates non-dedicated revenue.

Dollars in Thousands					
F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997	
Type of Revenue:					
Non-dedicated - Gen'l					
Leasing Activity	\$ 65	\$ 45	\$ 50	\$ 55	\$ 60
Land Activity	<u>82</u>	<u>105</u>	<u>600</u>	<u>125</u>	<u>125</u>
Total	\$147	\$150	\$650	\$180	\$185

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	233	232	258	258	258	258	258	258	258
EXPENSES/CONTRACTUAL SRVCS	40	43	173	62	62	62	63	63	63
MISC OPERATING EXPENSES	7	158	137	7	7	7	7	7	7
SUPPLIES/MATERIALS/PARTS	3	4	3	3	3	3	3	3	3
CAPITAL EQUIPMENT		3							
SUBTOTAL STATE OPERATIONS	283	440	571	330	330	330	331	331	331
TOTAL EXPENDITURES	283	440	571	330	330	330	331	331	331
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	283	440	571	330	330	330	331	331	331
TOTAL FINANCING	283	440	571	330	330	330	331	331	331
FTE BY EMPLOYMENT TYPE:									
REGULAR	5.2	5.2	5.2		5.2		5.2		
TEMP/SEAS/PART_TIME		.2	.2		.2		.2		
TOTAL FTE	5.2	5.4	5.4		5.4	5.4	5.4		5.4

1996-97 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. Services include building maintenance, cafeteria management, energy management, grounds, janitorial services, resource recovery, snow removal, and special use permits. Due to the variety of services provided by this activity, numerous state agency locations are served.

BUDGET ISSUES:

Plant Management strives to maintain quality building environments that meet the needs of our customers while controlling operating costs and lease rates.

During F.Y. 1994, the Resource Recovery Office implemented a new collection system in the Capitol Complex and Lafayette Park buildings. This expanded collection system provides for recycling of paper, cardboard, glass, cans, and plastic materials to maximize recovery of recycled materials. As a result of the conversion, the percentage of materials being recovered out of the waste stream increased by 6%.

State agencies spend approximately \$22 million annually on utilities. Energy Management Services provides project management for utility funded energy retrofit programs that are designed to provide energy improvements to state owned or wholly-leased facilities in order to reduce state agency energy use. The cost of the improvements are paid over the life of the improvement into a loan pool that can be used for additional retrofit work. An important aspect to this program will be the ongoing monitoring of facilities to ensure the desired savings are achieved and to identify further savings opportunities related to the operation of the equipment. Energy Management Services also provides state building maintenance operators and boiler engineers training to ensure facilities are operated efficiently.

The Plant Management Division has completed organizational planning and will be implementing a new organizational structure during F.Y. 1995 to improve the services provided by the division. The new structure provides this activity with 4 major areas that focus on providing customers with timely cost effective services. The 4 sections are:

1. trades and energy management services;
2. building maintenance and operations;
3. grounds, materials transfer, and resource recovery operations; and
4. an administrative support section that coordinates parking in the Capitol area and assists in providing services in a timely, cost effective manner.

Plant Management continued to maximize available parking through the use of the "any available stall" program. A program, developed in conjunction with Minnesota Rideshare, registers contract holders traveling to the Capitol area in high occupancy vehicles, i.e., car pools and van pools. Participation in the program provides the parking contract holder with an opportunity to avoid paying the 25% surcharge that single occupancy vehicles are assessed in the Capitol area. Encouraging growth of this program will maximize the available parking and encourage conservation of resources.

During F.Y. 1995 parking rates increased by 5%. Parking rates will be reviewed annually to ensure that the costs of operation are being fully recovered. Parking rate increases will be limited to the actual increases in the costs of operating, maintaining, and renovating parking facilities.

REVENUE:

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

Type of Revenue:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated General	\$ 96	\$ 96	\$ 100	\$ 100	\$ 100
Resource Recovery					
Dedicated - Special	<u>1,307</u>	<u>1,283</u>	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>
Parking					
Total	\$1,403	\$1,379	\$1,350	\$1,350	\$1,350

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	733	734	863	863	863	863	863	863	863
EXPENSES/CONTRACTUAL SRVCS	491	1,383	1,210	1,214	1,214	1,214	1,220	1,220	1,220
MISC OPERATING EXPENSES	46	48	70	45	45	45	45	45	45
SUPPLIES/MATERIALS/PARTS	183	188	183	183	183	183	183	183	183
CAPITAL EQUIPMENT	125	13							
OTHER	52	5	10	10	10	10	10	10	10
SUBTOTAL STATE OPERATIONS	1,630	2,371	2,336	2,315	2,315	2,315	2,321	2,321	2,321
TOTAL EXPENDITURES	1,630	2,371	2,336	2,315	2,315	2,315	2,321	2,321	2,321
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	873	973	1,036	1,015	1,015	1,015	1,021	1,021	1,021
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	757	1,398	1,300	1,300	1,300	1,300	1,300	1,300	1,300
TOTAL FINANCING	1,630	2,371	2,336	2,315	2,315	2,315	2,321	2,321	2,321
FTE BY EMPLOYMENT TYPE:									
REGULAR	210.0	225.5	225.5		225.5		225.5		
TEMP/SEAS/PART_TIME	2.8	4.3	4.3		4.3		4.3		
OVERTIME	1.7	2.0	2.0		2.0		2.0		
TOTAL FTE	214.5	231.8	231.8		231.8	231.8	231.8		231.8

DEPARTMENT OF ADMINISTRATION
DIVISION of PLANT MANAGEMENT

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

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 96/97
PROGRAM: FACILITIES MANAGEMENT

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	PROJECTED FY 1997	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	
OPERATING REVENUES:						ASSETS:			
NET SALES	22,150.2	24,359.8	25,149.9	26,873.5	27,424.9	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	3,238.9	2,871.8	2,527.2
GROSS PROFIT ON SALES	22,150.2	24,359.8	25,149.9	26,873.5	27,424.9	OTHER CURRENT ASSETS	1,575.9	2,082.7	2,544.3
OTHER REVENUE	369.0	417.1	357.5	414.4	426.8	TOTAL CURRENT ASSETS	4,814.9	4,954.5	5,071.5
NET REVENUES	22,519.2	24,776.9	25,507.4	27,287.9	27,851.7	NON-CURRENT ASSETS:	1,402.4	1,477.6	1,723.8
LESS: OPERATING EXPENSES:						TOTAL ASSETS	6,217.3	6,432.2	6,795.3
SALARIES	6,680.9	7,271.3	7,487.3	8,774.8	9,201.1	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	12,186.4	8,037.1	8,959.8	8,668.3	8,889.7	LIABILITIES:			
INDIRECT COSTS	369.0	261.4	377.4	362.7	373.6	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	176.4	177.6	178.6	225.0	263.7	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	19,412.6	15,747.3	17,003.1	18,030.8	18,728.0	MASTER LEASE - CURRENT	32.6	67.0	72.0
OPERATING INCOME (LOSS)	3,106.6	9,029.6	8,504.3	9,257.1	9,123.7	OTHER CURRENT LIABILITIES	1,136.3	1,097.3	1,238.0
NON-OPERATING REVENUES (EXPENSES)						TOTAL CURRENT LIABILITIES	1,168.9	1,164.2	1,310.0
NET INCOME (LOSS)	433.7	78.5	(277.6)	(386.4)	(396.2)	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	3,719.5	4,153.1	4,149.0	3,871.4	3,485.1	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	(82.6)				MASTER LEASE - NON-CURRENT	106.5	209.7	304.5
ENDING RETAINED EARNINGS	4,153.1	4,149.0	3,871.4	3,485.1	3,088.9	OTHER NON-CURRENT LIABILITIES	135.2	255.5	655.7
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	241.6	465.3	960.2
RATE INCREASE/(DECREASE):						TOTAL LIABILITIES	1,410.5	1,629.5	2,270.2
LEASES	2.80%	3.20%	1.30%	1.90%	2.30%	FUND EQUITY:			
MATERIALS TRANSFER	0.48%	5.00%	5.00%	5.00%	5.00%	CONTRIBUTED CAPITAL	653.6	653.6	653.6
REPAIR OTHER JOBS & ALPHA	0.51%	3.00%	3.00%	5.00%	5.00%	RETAINED EARNINGS	4,153.1	4,149.0	3,871.4
FIVE YEAR AVERAGE INCREASE/(DECREASE):						TOTAL FUND EQUITY	4,806.8	4,802.7	4,525.1
LEASES	2.30%					TOTAL LIABILITIES & FUND EQUITY	6,217.3	6,432.2	6,795.3
MATERIALS TRANSFER	4.10%								
REPAIR OTHER JOBS & ALPHA	3.30%								

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1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

The Building Codes and Standards Division (BCSD) administers and enforces the state building code which governs the construction, reconstruction, alteration, and repair of buildings and 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 methods, devices, materials, and techniques.

The state Division of Building Codes and Standards has the responsibility for ensuring that the 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 BCSD activity uses administrative, regulatory, consultative, informational, and educational approaches to ensure that buildings constructed comply with minimum health and safety standards.

The division activity is achieved by updating the state building code with current national model codes; by providing training and assistance to code officials, design professionals, and the construction industry; by oversight of municipal code departments; by plan review and inspection of public buildings, state licensed facilities, manufactured homes, prefabricated buildings, and elevators; and by certifications of building officials.

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 and contractors, technical committees, national model code associations, manufactured structures corporations, and manufactured home manufacturers and installers.

BUDGET ISSUES:

Without additional resources, the division will have to leave 2 unfilled positions vacant and reduce contract inspection services. All activities are mandated by statute and eliminating even the low priority programs will have a detrimental effect on the overall compliance with statutory mandates.

As an example, stopping or reducing training programs will reduce the standardization of local code enforcement and understanding of code requirements which will cause a setback in a 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.

Returning this activity to a special revenue fund would alleviate the resource problems being experienced by the Building Code Division. Until 1991, this was the source of funding.

In the F.Y. 1994-95 biennium, demand for BSCD services has been increasing rapidly because of increased construction activity in both the private and public sectors. This trend is expected to continue in F.Y. 1996-97. Examples of increased activities are plan reviews, training seminars/school, and clientele consultation/direct assistance.

In F.Y. 1994, training sessions provided 38 days of instruction with 1,700 participants. (F.Y. 1993: 38/1400).

In F.Y. 1994, the level of consultation and direct assistance requests by clientele for all divisional activities numbered 30,285 (F.Y. 1993: 28,638).

The results of the division's efforts in improved enforcement of codes and standards are being attained at the local level through training, direct assistance, and monitoring efforts. Safer buildings are being produced reducing loss of life and personal injury as well as property value loss. Energy efficiency levels in buildings are being maintained as well as improvement in accessibility and usability by the disabled community. Public and user complaints involving quality and performance of buildings are lessening.

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:	Dollars in Thousands				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Non-dedicated - Gen'l	\$2,856	\$3,467	\$2,800 est.	\$2,900 est.	\$2,900 est.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,243	1,294	1,347	1,347	1,347	1,347	1,347	1,347	1,347
EXPENSES/CONTRACTUAL SRVCS	332	272	299	283	283	283	287	287	287
MISC OPERATING EXPENSES	274	221	216	216	216	216	216	216	216
SUPPLIES/MATERIALS/PARTS	30	33	34	34	34	34	34	34	34
CAPITAL EQUIPMENT	19								
SUBTOTAL STATE OPERATIONS	1,898	1,820	1,896	1,880	1,880	1,880	1,884	1,884	1,884
TOTAL EXPENDITURES	1,898	1,820	1,896	1,880	1,880	1,880	1,884	1,884	1,884
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,898	1,820	1,896	1,880	1,880	1,880	1,884	1,884	1,884
TOTAL FINANCING	1,898	1,820	1,896	1,880	1,880	1,880	1,884	1,884	1,884
FTE BY EMPLOYMENT TYPE:									
REGULAR	23.9	25.7	25.7		25.7			25.7	
TEMP/SEAS/PART_TIME	.4	1.6	1.6		1.6			1.6	
OVERTIME	.2								
TOTAL FTE	24.5	27.3	27.3		27.3	27.3		27.3	27.3

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

The Division of State Building Construction (DSBC) provides an economical central resource for obtaining comprehensive architectural and engineering services to satisfy the facilities needs of state government. Within this framework, capital budget reform, predesign planning, designer selection, design, new construction, remodeling, renewal, capital asset preservation, and hazardous materials abatement are among its major activities.

The wide array of building-related activities provided are formulated to meet the dynamic facilities of state government within its limited existing and projected financial resources. Building Construction's program objectives utilize strategic planning and predesign activities to establish prioritized program needs (scope), projected cost plans (cost), and schedules (time) as to when those resources will be required to fund new buildings, to remodel, and to renew or extend the life cycle of existing facilities.

Virtually every state entity that occupies a state-owned building or receives a state building appropriation utilizes 1 or more of the services provided by DSBC. Primary clients served include Corrections, Human Services, Veterans Homes Board, Community College System, Capitol Complex, Residential Academies, Transportation, Center for Arts Education, Economic Security, Historical Society, Military Affairs, Natural Resources, and the Zoological Gardens.

BUDGET ISSUES:

The existing levels of service will be provided in the next biennium:

- The new capital budget reform service activity was funded in the F.Y. 1994-95 biennium under a limited resources environment utilizing state agency personnel in facilities management to provide building audit and predesign data. Although some elements of the reform process could be accelerated with more staff, it is important to first educate both existing DSBC staff and facilities personnel statewide in the areas of cost planning, predesign, and planned maintenance automation systems. A clearer projection of staffing needs will be developed in the next biennium as this new program evolves.
- The activity will continue to balance its project workload with a work force of in-house professional and technical staff and consultants. Historically, DSBC has maintained a relatively small nucleus of staff to develop and manage projects of appropriate size to an economic advantage over the private sector. Concurrently, the private sector has provided the bulk of the work force on the larger, more complex projects. An increasing amount of projects typically done with in-house staff has forced the use of more consultants using bond funds.

REVENUE:

Revenue is not typically generated by this activity except for litigation awards, the largest of which has been from the Manville Property Damage Settlement Trust. All funds received are dedicated by fund and used to either satisfy damages incurred or to generate additional revenue through continued asbestos removal, the cost for which is resubmitted for damage claims. Revenue received is dependent on decisions made by the trustees subject to court approval.

The historical and projected results are as follows:

Type of Revenue:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Dedicated - Federal	\$ 434	\$1,994	\$1,199	\$1,199	\$1,199
Dedicated - Gifts & Deposits	<u>711</u>	<u>1,424</u>	<u>894</u>	<u>894</u>	<u>894</u>
Total	\$1,145	\$3,418	\$2,093	\$2,093	\$2,093

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,425	1,595	1,684	1,684	1,684	1,684	1,684	1,684	1,684
EXPENSES/CONTRACTUAL SRVCS	780	794	196	191	191	191	194	194	194
MISC OPERATING EXPENSES	57	94	111	48	48	48	48	48	48
SUPPLIES/MATERIALS/PARTS	306	106	134	134	134	134	134	134	134
CAPITAL EQUIPMENT	285	66							
OTHER	505	1,715	2,077	2,077	2,077	2,077	2,077	2,077	2,077
SUBTOTAL STATE OPERATIONS	3,358	4,370	4,202	4,134	4,134	4,134	4,137	4,137	4,137
TOTAL EXPENDITURES	3,358	4,370	4,202	4,134	4,134	4,134	4,137	4,137	4,137
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,326	1,980	2,109	2,041	2,041	2,041	2,044	2,044	2,044
STATUTORY APPROPRIATIONS:									
FEDERAL	469	1,604	1,199	1,199	1,199	1,199	1,199	1,199	1,199
AGENCY	2								
GIFTS AND DEPOSITS	561	786	894	894	894	894	894	894	894
TOTAL FINANCING	3,358	4,370	4,202	4,134	4,134	4,134	4,137	4,137	4,137
FTE BY EMPLOYMENT TYPE:									
REGULAR	24.8	25.3	25.3		25.3			25.3	
TEMP/SEAS/PART_TIME	1.6	5.0	5.0		5.0			5.0	
TOTAL FTE	26.4	30.3	30.3		30.3	30.3		30.3	30.3

1996-97 Biennial Budget

PROGRAM: Administrative Management
AGENCY: Administration, Department of

PROGRAM DESCRIPTION:

The Administrative Management program provides internal support services to the operating divisions of the department. Functions included in this program include financial management, human resource services, and grant administration. The executive support function, including the commissioner's office also falls within this program.

Other activities within this program, but not part of internal support services, are: the statewide Employee Assistance Program, the Developmental Disabilities Council, and the STAR (System of Technology to Achieve Results) program.

Grants administered through this program include oil overcharge, public broadcasting, and the State Band.

PROGRAM STATUS:

The Statewide Systems Project has had an impact on Fiscal Services and Human Resources in that a significant portion of their time has been spent assisting the project through its developmental phase. Major changes in the operations of internal support functions will occur in the first year of the next biennium, as the system becomes operational.

Public Broadcasting dollars (public radio, public t.v., and regional cable) are no longer included in the Admin budget, but we will continue to administer grants to those entities.

PLANNED RESULTS:

The Employee Assistance Program is the only activity in this program that is reported in the 1995 Annual Performance Report. The Department of Finance and the Legislative Auditor suggested that agencies did not have to report on internal support services. Both the Developmental Disabilities and STAR programs are primarily funded through federal dollars and are not considered material to the overall Admin budget, so they were not included in the report either.

Existing funding for the Employee Assistance Program will allow them to achieve the outcomes stated in the 1995 Performance Report. This program is not adequately funded to deal with the increasing number of state employees seeking their services or the increasing number of state agencies asking them to solve the increasingly complex issues facing agencies today (e.g., violence in the workplace, critical incidents).

BUDGET AND REVENUE SUMMARY:

This program receives federal dollars from 3 different sources:

- The STAR program receives money from the National Institute of Disability and Rehabilitation Research under Title I of P.L. 103-218. Minnesota is currently in its second 5-year funding cycle. It is anticipated that funds will be stable over the next biennium.

- The Developmental Disabilities Council receives an annual federal grant of approximately \$1 million from the Department of Health and Human Services. Level funding for this program is also expected over the next biennium.
- Oil Overcharge monies are received from the U.S. Department of Energy. Approximately \$4 million in oil overcharge receipts is expected over the next 3 years.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FISCAL & HUMAN RESOURCES	1,111	1,083	1,175	1,160	1,160	1,160	1,163	1,163	1,163
EXECUTIVE SUPPORT	591	488	635	559	559	559	561	561	561
DEVELOPMENTAL DISABILITIES COUNCIL	1,402	1,168	1,169	1,169	1,169	1,169	1,169	1,169	1,169
SYS TECH TO ACHIEVE RESULTS	660	795	709	709	709	709	709	709	709
STATE EMPLOYEE ASSISTANCE PROGRAM	488	391	403	390	390	390	390	390	390
OIL OVERCHARGE	98	2,067	62		2,115	2,115			
TOTAL EXPENDITURES BY ACTIVITY	4,350	5,992	4,153	3,987	6,102	6,102	3,992	3,992	3,992
AGENCY PLAN ITEMS:			FUND						
LCMR NEW ALLOCATIONS			SGS		2,115				
TOTAL AGENCY PLAN ITEMS					2,115				
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,202	1,987	2,253	2,149	2,149	2,149	2,154	2,154	2,154
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	98	2,067	62		2,115	2,115			
SPECIAL REVENUE	16	2	2	2	2	2	2	2	2
FEDERAL	2,003	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830
GIFTS AND DEPOSITS	31	106	6	6	6	6	6	6	6
TOTAL FINANCING	4,350	5,992	4,153	3,987	6,102	6,102	3,992	3,992	3,992
FTE BY EMPLOYMENT TYPE:									
REGULAR	47.2	45.5	46.2		46.2			46.2	
TEMP/SEAS/PART_TIME	5.5	3.8	2.9		2.9			2.9	
OVERTIME	.2								
TOTAL FTE	52.9	49.3	49.1		49.1	49.1		49.1	49.1

1996-97 Biennial Budget

BUDGET ACTIVITY: Fiscal and Human Resources
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Fiscal Services Division provides a centralized and integrated accounting system for the Department of Administration's revolving fund, general fund, and other fund activities. This activity strives to provide timely and accurate financial services while conforming to Generally Accepted Accounting Principles (GAAP). The staff of the division 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 (CAAPB), the Citizens' Committee on Voyageurs National Park, the Council on Asian/Pacific Minnesotans, the Council on Black Minnesotans, the Council on Spanish Speaking People, the Telecommunications Access for Communications Impaired Persons Board, the Ombudspersons for Families, and the Intergovernmental Information Systems Advisory Council (IISAC). Additionally, a grant is provided to the State Band through this activity.

The Human Resources Division provides, maintains, and serves the employees of the Department of Administration by providing the following services: staffing, employee development, affirmative action program administration, negotiation and administration of labor contracts, wage and benefit administration, health, safety, and wellness program administration, and integration of and consultation on human resource management issues.

BUDGET ISSUES:

In the next biennium both of these divisions will be using the new statewide system for conducting their business. The cost of using this system is unknown at this time but could have a significant impact on the divisions' general fund budgets.

REVENUE:

This activity generates dedicated revenue.

Dollars in Thousands

	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue:					
Dedicated - Gift	\$ 17	\$ 10	\$ 15	\$ 15	\$ 15

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: FISCAL & HUMAN RESOURCES

ACTIVITY SUMMARY	Est.			FY 1996			FY 1997		
	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	928	925	989	989	989	989	989	989	989
EXPENSES/CONTRACTUAL SRVCS	98	117	103	117	117	117	120	120	120
MISC OPERATING EXPENSES	15	11	57	28	28	28	28	28	28
SUPPLIES/MATERIALS/PARTS	20	23	24	24	24	24	24	24	24
CAPITAL EQUIPMENT	31	5							
OTHER	15	1							
SUBTOTAL STATE OPERATIONS	1,107	1,082	1,173	1,158	1,158	1,158	1,161	1,161	1,161
LOCAL ASSISTANCE	4	1	2	2	2	2	2	2	2
TOTAL EXPENDITURES	1,111	1,083	1,175	1,160	1,160	1,160	1,163	1,163	1,163
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,080	1,068	1,169	1,154	1,154	1,154	1,157	1,157	1,157
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS	31	15	6	6	6	6	6	6	6
TOTAL FINANCING	1,111	1,083	1,175	1,160	1,160	1,160	1,163	1,163	1,163
FTE BY EMPLOYMENT TYPE:									
REGULAR	21.9	22.3	23.2		23.2			23.2	
TEMP/SEAS/PART_TIME	.3	.9							
TOTAL FTE	22.2	23.2	23.2		23.2	23.2		23.2	23.2

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

This activity provides both department and statewide executive leadership and management. Customers include employees of the department, state agencies, local units of government, the governor's office, and the legislature. Services provided to Admin include strategic direction, priority setting, policy setting, problem solving, and coordination for projects which affect all areas of the department, e. g., the implementation of the Statewide Systems Project. This activity responds to both gubernatorial and legislative directives. Communication internal to Admin is coordinated through this activity including a bi-weekly departmentwide newsletter, quarterly operations reviews with each division, and monthly management team meetings.

BUDGET ISSUES:

None

REVENUE:

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	480	407	455	455	455	455	455	455	455
EXPENSES/CONTRACTUAL SRVCS	56	42	72	72	72	72	74	74	74
MISC OPERATING EXPENSES	10	10	44	18	18	18	18	18	18
SUPPLIES/MATERIALS/PARTS	29	19	7	7	7	7	7	7	7
CAPITAL EQUIPMENT	16	10	57	7	7	7	7	7	7
SUBTOTAL STATE OPERATIONS	591	488	635	559	559	559	561	561	561
TOTAL EXPENDITURES	591	488	635	559	559	559	561	561	561
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	591	483	635	559	559	559	561	561	561
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS		5							
TOTAL FINANCING	591	488	635	559	559	559	561	561	561
FTE BY EMPLOYMENT TYPE:									
REGULAR	8.1	7.0	7.0		7.0			7.0	
TEMP/SEAS/PART_TIME	.4	.6	.6		.6			.6	
TOTAL FTE	8.5	7.6	7.6		7.6	7.6		7.6	7.6

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

This activity serves to promote, through systemic change, capacity building, and advocacy activities the development of a consumer and family-centered, comprehensive system and a coordinated array of culturally competent services, supports, and other assistance designed to achieve independence, productivity, and integration and inclusion of individuals with developmental disabilities into the natural life of the community. Responsibilities also include public education and coalition development, self-advocacy training, educating policymakers, and citizen leadership skills. Activities and responsibilities of state developmental disabilities councils are further set out under the Developmental Disabilities and Bill of Rights Assistance Act (P.L. 103-230).

BUDGET ISSUES:

This activity receives an annual-federal budget 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 \$46,000 is approximately \$288,000 less than the required match amount. In the past, this match requirement has been met by grant recipients who provide the balance of the match. (See GRANTS section.)

REVENUE:

This activity generates dedicated federal revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>

Type of Revenue:					
Dedicated - Federal	\$1,359	\$1,123	\$1,123 est.	\$1,123 est.	\$1,123 est.

GRANTS:

Under federal law (P.L. 103-230), not less than 65% of the federal grant award must be allocated to projects that are designed to promote and achieve the goals and objectives determined by the DD Council and set out in the 3-Year State Plan. Grants for F.F.Y. 1994 were awarded for Partners in Policymaking, Advanced Leadership Training, Youth Leadership, Direct Care Training, and Training Conferences.

Outcomes include:

- Approximately 70 Minnesotans are receiving community leadership training through Partners in Policymaking and are participating in system change activities that support the objectives of the Developmental Disabilities Act.

- More than 1,500 individuals have participated in 10 training conferences to improve their skills, knowledge, and understanding of best practices so that quality support and services are provided to individuals with developmental disabilities and families.
- A total of 344 individuals have participated in 21 training sessions, including 6 train-the-trainer sessions, under the statewide direct care training initiative intended to assure equitable access to state-of-the-art training and technical assistance and the delivery of quality supports and services to individuals with developmental disabilities and families.
- A total of 233 middle school youth, students with disabilities and students without disabilities, are actively participating in social/recreational and community service activities at 12 school/community sites throughout the state.

The DD Council selects priorities for a 3-year period and makes allocation decisions on an annual basis. The availability of grants is announced in the *State Register*. Grants are awarded after thorough review of project proposals by the DD Council.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: DEVELOPMENTAL DISABILITIES COUNCIL

ACTIVITY SUMMARY	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	371	344	333	333	333	333	333	333	333
EXPENSES/CONTRACTUAL SRVCS	659	404	452	452	452	452	452	452	452
MISC OPERATING EXPENSES	53	39	34	34	34	34	34	34	34
SUPPLIES/MATERIALS/PARTS	29	6	20	20	20	20	20	20	20
CAPITAL EQUIPMENT	6								
OTHER		23	30	30	30	30	30	30	30
SUBTOTAL STATE OPERATIONS	1,118	816	869	869	869	869	869	869	869
AIDS TO INDIVIDUALS	4	14							
LOCAL ASSISTANCE	280	338	300	300	300	300	300	300	300
TOTAL EXPENDITURES	1,402	1,168	1,169	1,169	1,169	1,169	1,169	1,169	1,169
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	43	45	46	46	46	46	46	46	46
STATUTORY APPROPRIATIONS:									
FEDERAL	1,359	1,123	1,123	1,123	1,123	1,123	1,123	1,123	1,123
TOTAL FINANCING	1,402	1,168	1,169	1,169	1,169	1,169	1,169	1,169	1,169
FTE BY EMPLOYMENT TYPE:									
REGULAR	5.8	4.9	4.9		4.9		4.9		
TEMP/SEAS/PART_TIME	2.0	1.1	1.1		1.1		1.1		
TOTAL FTE	7.8	6.0	6.0		6.0	6.0	6.0		6.0

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

STAR (A System of Technology to Achieve Results) is funded through a grant by the National Institute of Disability and Rehabilitation Research under Title I of P.L. 103-218. The federal mandate is to develop and implement a statewide, comprehensive, consumer-responsive program of technology-related assistance for individuals with disabilities of all ages through advocacy and systems change. STAR administers activities in each of the 6 federal priority areas:

1. Availability of services
2. Consumer involvement and outreach
3. Interagency coordination
4. Advocacy and systems change
5. Training and technical assistance
6. Public awareness

BUDGET ISSUES:

Increased federal funding in F.Y. 1995 allows us to address new mandates in systems change and advocacy through the mandated contract with the protection and advocacy agency (Minnesota Disability Law Center). It will also enable greater outreach to individuals who are poor, live in rural areas, or have limited English-speaking proficiency. It is anticipated that federal dollars will be stable over the next biennium.

REVENUE:

Grants: STAR administers 2 mandated grant programs and 3 discretionary programs:

Protection and Advocacy Services: (Minnesota Disability Law Center) \$82,000 as mandated by P.L. 103.218 to provide the full range of legal opportunities to individuals who seek technology-related assistance through public and private programs.

Iowa Program for Assistive Technology: (University of Iowa Hospital School, Infotech) \$46, 561 to provide interstate toll-free assistance on commercially available technologies, a used equipment referral service, and a bi-monthly newsletter.

Mobile outreach Services: \$175,000. A competitive process open to the private for profit, not for profit, educational units, and units of government that are able to provide a full range of assistive technology services to a minimum of 500 individuals in rural areas.

Regional Assistive Technology Resources: \$105,000. Competitive program to assist community-based consumer and support groups, as well as not for profit, for profit government and educational entities to develop or expand technology-related assistance programs to under-represented and rural populations. It is anticipated that current funding levels will allow for 1 grant in each of 7 regions.

Programs of National Significance: \$15,000 in scholarships will be awarded to individuals with disabilities, their families and advocates to attend conferences of national significance to learn first-hand of the availability of emerging technologies. Eligibility for award is based on the following criteria: 1) resides outside the 7-county metro area; 2) first time attending conference; 3) detailed plan of information dissemination to others.

This activity generates dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue:					
Dedicated - Federal	\$644	\$707	\$707	\$707	\$707

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: SYS TECH TO ACHIEVE RESULTS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	193	181	212	212	212	212	212	212	212
EXPENSES/CONTRACTUAL SRVCS	138	203	168	168	168	168	168	168	168
MISC OPERATING EXPENSES	36	38	44	44	44	44	44	44	44
SUPPLIES/MATERIALS/PARTS	10	8	5	5	5	5	5	5	5
CAPITAL EQUIPMENT	3	1							
OTHER		5	8	8	8	8	8	8	8
SUBTOTAL STATE OPERATIONS	380	436	437	437	437	437	437	437	437
AIDS TO INDIVIDUALS	9								
LOCAL ASSISTANCE	271	359	272	272	272	272	272	272	272
TOTAL EXPENDITURES	660	795	709	709	709	709	709	709	709
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	16	2	2	2	2	2	2	2	2
FEDERAL	644	707	707	707	707	707	707	707	707
GIFTS AND DEPOSITS		86							
TOTAL FINANCING	660	795	709	709	709	709	709	709	709
FTE BY EMPLOYMENT TYPE:									
REGULAR	3.5	4.4	4.4		4.4			4.4	
TEMP/SEAS/PART_TIME	1.0	.6	.6		.6			.6	
OVERTIME	.2								
TOTAL FTE	4.7	5.0	5.0		5.0	5.0		5.0	5.0

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

The State Employee Assistance Program (EAP) has evolved into a well-utilized, valued employee and management resource. The EAP serves a critical function within human resource management and its services are sought statewide. State agencies are developing a growing reliance on EAP to intervene and resolve troubling human and social issues within state work environments. Service outcome studies show a very positive correlation between utilizing state EAP services and overall improvement in job performance. EAP focus is on:

- Intervention, consultation, and case management with work-site problems such as harassment, threats of violence, critical incidents, and change and transition issues.
- Intervention and brief counseling for employees experiencing a wide variety of problems in living such as grief and loss, legal and financial problems, parent/child issues, and career struggles.
- Intervention, referral, and ongoing support with serious behavioral disorders such as chronic mental illness and compulsive addictive behaviors.

EAP's orientation is to address existing problems. Maximum benefit of the EAP is gained through utilizing proactive approaches that are intended to address issues and concerns before they become problems and crises.

BUDGET ISSUES:

- Work-site interventions involving threats of violence, interpersonal conflicts, or critical incidents are best done by EAP counselors who are part of the work environment and have an understanding of the culture.
 - a) EAP is experiencing increasing demands for assisting state agencies with organizational issues. EAP is well-positioned to improve organizational effectiveness by providing management coaching, problem assessment, group work, and skill-building activities. But time demand on EAP staff is problematic when taking on these projects. Involvement with troubled work organizations is often complex, highly sensitive, and can require ongoing contact.
- The EAP needs to increase the number of counseling sessions available to individual employees from 2 to 4; by doing so, EAP can better meet employee needs and fill the gap that exists in accessing counseling services through state health insurance benefits.
 - a) EAP's current 2-session cap limits problem resolution to many employee issues. The resource can reasonably offer more help with problems in living and family problems not covered by insurance plans (marital, parent-child, career, grief, and loss).

- b) Insurance plan providers are increasing EAP's workload by steering troubled clients back to their EAP for help. This trend has resulted because the presenting problems are often not technically considered mental illnesses and do not qualify for coverage under health care benefits.
- c) A brief counseling model, 1 to 4 sessions, has proven to be effective in other EAPs and could easily be adopted if provided adequate resources.
- Current demand for existing EAP services is greater than the division is able to provide.
 - a) Delays in being seen for routine EAP services are occasionally a problem now in EAP's central office and will be exacerbated with the addition of 4,500 technical college employees to the state system.
 - b) The current annual budget shortage for contracted provider services is approximately \$35,000. As EAP utilization continues to increase, this deficit will grow larger. It is essential to correct this budget deficit in the next budget cycle.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: STATE EMPLOYEE ASSISTANCE PROGRAM

ACTIVITY SUMMARY	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomn.	Current Spending	Agency Plan	Governor Recomn.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	347	283	304	304	304	304	304	304	304
EXPENSES/CONTRACTUAL SRVCS	125	94	66	66	66	66	66	66	66
MISC OPERATING EXPENSES	4	11	28	15	15	15	15	15	15
SUPPLIES/MATERIALS/PARTS	12	3	5	5	5	5	5	5	5
SUBTOTAL STATE OPERATIONS	488	391	403	390	390	390	390	390	390
TOTAL EXPENDITURES	488	391	403	390	390	390	390	390	390
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	488	391	403	390	390	390	390	390	390
TOTAL FINANCING	488	391	403	390	390	390	390	390	390
FTE BY EMPLOYMENT TYPE:									
REGULAR	6.8	5.8	5.8		5.8		5.8		
TEMP/SEAS/PART_TIME	.8	.6	.6		.6		.6		
TOTAL FTE	7.6	6.4	6.4		6.4	6.4	6.4		6.4

1996-97 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 \$40,510,787 in oil overcharge funds and manages funds covering 45 separate grants.

BUDGET ISSUES:

This activity is expected to continue for several more years until the remaining \$4.0 million in oil overcharge money expected is received and allocated by legislative appropriation, and after all funded programs have been completed.

REVENUE:

This activity generates dedicated revenue.

Dollars in Thousands					
F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997	

Type of Revenue:

Dedicated - State					
Government Special	\$2,769	\$372	\$1,000	\$1,000	\$1,000

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 45 grants totalling \$40,510,787. The legislature has allocated grants 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 Economic Security'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.

LCMR Recommendations:

■ One Megawatt Hybrid Electrical Generation Simulation project	\$50,000
■ Avian Population Analysis for Wind Power Generation Regions	75,000
■ Interactive Computer Exhibit on Minnesota Renewable Energy Sources	150,000
■ Inter-city Electric Vehicle Transportation Demonstration	150,000
■ Sustainable Development of Wind Energy on Family Farms	200,000
■ Recycled Biosolids Product Used to Reclaim Disturbed Areas	200,000
■ Local Share for ISTEA Federal Projects	300,000
■ Releaf: Planting for Energy Conservation in Communities	400,000
■ Energy and IAQ Improvements in Public Ice Arenas	470,000
■ Microbial Deterioration of Asphalt Materials	60,000
TOTAL	\$2,115,000

The state expects to receive an additional \$4 million from oil overcharge settlements by 1998.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	90	36	49						
EXPENSES/CONTRACTUAL SRVCS	8	14	9						
OTHER		5	4						
SUBTOTAL STATE OPERATIONS	98	55	62						
LOCAL ASSISTANCE		2,012			2,115	2,115			
TOTAL EXPENDITURES	98	2,067	62		2,115	2,115			
AGENCY PLAN ITEMS:									
FUND									
LCMR NEW ALLOCATIONS		SGS			2,115				
TOTAL AGENCY PLAN ITEMS					2,115				
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	98	2,067	62		2,115	2,115			
TOTAL FINANCING	98	2,067	62		2,115	2,115			
FTE BY EMPLOYMENT TYPE:									
REGULAR	1.1	1.1	.9		.9			.9	
TEMP/SEAS/PART_TIME	1.0								
TOTAL FTE	2.1	1.1	.9		.9	.9		.9	.9

1996-97 Biennial Budget

PROGRAM: Information Policy Office
AGENCY: Administration, Department of

PROGRAM DESCRIPTION:

The Information Policy Office (IPO) is responsible for ensuring that the state's information resources are: well-managed to avoid duplication of efforts and the potential waste of resources; developed and operated in a manner that maximizes the use of technology to the benefit of the state's citizens; and responsive to a variety of public policy requirements relating to information. IPO establishes state information resource management policies, standards and guidelines; reviews and approves state information resource investments; supports the work of the Government Information Access Council (GIAC) in developing policy for electronic access by citizens to information and services; and works to assure that governmental entities comply with public policy requirements relating to information.

PROGRAM STATUS:

Current state policy requires all information resource budget requests meet IPO requirements in order to be included in the governor's budget. IPO has established information resource management requirements for budget review consistent with the information resource management (IRM) policies, standards and guidelines established by IPO. These policies, standards, and guidelines set direction and provide guidance and requirements for agencies as they continue to expand their information resource management and investment activities.

The Information Strategies and Planning Division (ISPD) supports projects that improve the statewide management of the state's investment in information resources. This includes support for information resource projects that cross organizational lines and move the state closer to the goal of data sharing and less duplication of investment. This includes support for multi-agency projects to manage data and for multi-agency efforts to more effectively target investments in information resource infrastructure.

During the F.Y. 1994-95 biennium, ISPD expanded performance review/risk assessment activities as required by the legislature. A major review/assessment of a critical statewide system is currently underway.

The Public Information Policy Analysis Division (PIPA) assists government agencies and private organizations to understand and comply with a variety of laws that constitute policy decisions about data practices, records management, and access to government data and to other types of data and information. PIPA provides assistance to the legislature in the development of statutes relating to data access, practices affecting data, data sharing, and the disposition of both governmental and nongovernmental data. PIPA also prepares, issues and publicizes interpretive advisory opinions concerning rights of data subjects, classification of data, and public access to data. Assignment of the responsibility for preparing public information policy opinions to the PIPA has increased the demand for the division's services and expanded usage by citizens of PIPA's consultative and referral services.

The 1994 legislature created a Minnesota Government Information Access Council. Its mission is to improve public access to government information and help government become more efficient,

effective, and responsive through the use of information technology. The council is to develop guiding principles and promote coordinated statewide efforts in the area of providing electronic access to government information and services.

PLANNED RESULTS:

IPO expects to meet the performance measures as outlined in the 1994 Annual Performance Report with base level funding.

BUDGET AND REVENUE SUMMARY:

The only revenue included in this program is generated by the Public Information Policy Analysis Division and is non-dedicated.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for a biennial increase of \$2,250 for the statewide Electronic Commerce Services.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: INFORMATION POLICY OFFICE

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
INFORMATION STRATEGIES & PLANNING	1,193	1,055	1,693	1,336	1,336	2,461	1,337	1,337	2,462
PUBLIC INFORMATION POLICY ANALYSIS	172	219	378	266	266	266	266	266	266
GOVERNMENT INFO ACCESS COUNCIL			400	400	400	400	400	400	400
TOTAL EXPENDITURES BY ACTIVITY	1,365	1,274	2,471	2,002	2,002	3,127	2,003	2,003	3,128
GOV'S INITIATIVES:				FUND					
(B) ELECTRONIC COMMERCE SERVICES				GEN					
TOTAL GOV'S INITIATIVES				1,125			1,125		
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,365	1,274	2,471	2,002	2,002	3,127	2,003	2,003	3,128
TOTAL FINANCING	1,365	1,274	2,471	2,002	2,002	3,127	2,003	2,003	3,128
FTE BY EMPLOYMENT TYPE:									
REGULAR	19.3	23.0	23.0		23.0			23.0	
TEMP/SEAS/PART_TIME		.9	.9		.9			.9	
TOTAL FTE	19.3	23.9	23.9		23.9	23.9		23.9	23.9

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

This activity provides the legislature and government organizations (management and staff) with direction and guidance for managing the state's information resource investment. Services include: providing direction and guidance through the development and implementation of Information Resource Management (IRM) policies, standards, and guidelines; helping clients to implement IRM; completing performance review/risk assessment activities designed to provide managers and the legislature with recommendations for managing risk and performance to help information resource projects be successful; and supporting statewide information resource initiatives that cross organizational boundaries and have potential to provide improved management of the state's information resource investment (e.g., criminal justice data community, uniform business identifier (UBI), and electronic data exchange (EDE)).

BUDGET ISSUES:

This activity will continue to provide statewide direction for information resource management by: providing IRM policies, standards, and guidelines; reviewing agency information resource investments through budget review; and through performance review/risk assessment activities.

A critical issue for this activity is the increasing demand, particularly from legislators, to expand performance review/risk assessment. This activity does not have the financial and human resources to meet this growing demand; the department and the program are currently exploring ways to meet this demand. No initiative is requested for this biennium; however, in the future an initiative may be required.

There is a critical need across state agencies to have a "one-stop shop" for cost effective and flexible electronic data exchange services. Technology is available that can provide easy access to government services and programs. Statewide services, such as value-added networks for electronic data interchange or telecommunications for computers and kiosks, are essential in order for agencies to deliver information and programs to state clients.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: INFORMATION POLICY OFFICE
ACTIVITY: INFORMATION STRATEGIES & PLANNING

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	826	765	977	977	977	977	977	977	977
EXPENSES/CONTRACTUAL SRVCS	254	221	391	293	293	1,418	294	294	1,419
MISC OPERATING EXPENSES	26	18	267	33	33	33	33	33	33
SUPPLIES/MATERIALS/PARTS	31	23	15	15	15	15	15	15	15
CAPITAL EQUIPMENT	56	28	18	18	18	18	18	18	18
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,193	1,055	1,668	1,336	1,336	2,461	1,337	1,337	2,462
LOCAL ASSISTANCE			25						
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,193	1,055	1,693	1,336	1,336	2,461	1,337	1,337	2,462
GOV'S INITIATIVES:									
			FUND						
(B) ELECTRONIC COMMERCE SERVICES			GEN			1,125			1,125
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL GOV'S INITIATIVES						1,125			1,125
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,193	1,055	1,693	1,336	1,336	2,461	1,337	1,337	2,462
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,193	1,055	1,693	1,336	1,336	2,461	1,337	1,337	2,462
FTE BY EMPLOYMENT TYPE:									
REGULAR	16.8	18.0	17.0		17.0			17.0	
TEMP/SEAS/PART_TIME		.9	.9		.9			.9	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	16.8	18.9	17.9		17.9	17.9		17.9	17.9

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Administration, Department of (Admin)
PROGRAM: Information Policy Office
ACTIVITY: Information Strategies and Planning Division

ITEM TITLE: Statewide Electronic Commerce Services

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,125	\$1,125	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$2,250,000 for the biennium to fund the Statewide Electronic Commerce Services.

RATIONALE:

Citizens and businesses are expecting and demanding that state government provide more information and services electronically. They expect government to provide the same kind of easy, convenient access to information and services that businesses do. Those expectations will only grow as new technologies are developed and adopted by citizens and private businesses. Information technology has become an essential tool to redesigning government services and providing broad, streamlined and timely access to them.

With the explosion of new technologies over the past several years, state agencies are trying to use new technologies to increase productivity and provide better service. State agencies have invested millions of dollars in information technology, mainframes, minicomputers, personal computers, intelligent work stations, communications equipment, networks, imaging systems and geographical information systems. These investments have paid off as they have provided state employees with tools to perform their jobs faster and more accurately than ever before. Further, these investments have allowed state services to be delivered in different and more effective ways.

Although progress has been made in the management of information technology, the rapid pace of technological advances, the multitude of competing vendors, and the fragmented organizational

structure of state government continue to present problems. The enormous patchwork of hardware and software now installed throughout state government has produced multiple, often incompatible islands of computing and communication technologies. State agencies have often implemented these technologies independently, frequently without regard to the needs of other agencies and those of their common customers.

To more effectively deliver services, protect its existing investments and position itself to take advantage of new technologies, state government must make these islands talk and work together and must present a common and easily accessible electronic "face" to citizens and businesses.

We need to design and implement a common, integrated electronic commerce facility for state government. Technology is quickly becoming available to integrate different systems, databases, networks and technology. The time is right to leverage the state's efforts with those of the private sector in designing and implementing solutions.

PROGRAM OUTCOMES:

A common, integrated electronic commerce facility would standardize how the state implements electronic technology. Consolidating facilities will provide better service to customers and enable us to better control costs. It will enable us to add more functionality to the state's communications systems by integrating various voice and data technologies in order to provide faster service and more information. It will provide a common "face" to citizens so that citizens can easily access state information and services.

Examples of technology that a common electronic commerce facility could provide are electronic data interchange, electronic filing systems, electronic funds transfers, fax, electronic bulletin board systems, text retrieval, kiosks, smart cards, automated teller machines, and interactive voice response systems.

The state can better control costs by consolidating common services into an integrated central communications facility. Agencies would not have to create their own separate systems and networks. For instance, the facility could provide a statewide network of kiosks and if in the future the state decides to support a Minnesota "smart card," the facility could also provide for that. The facility could be operated in whole or in part by the private sector.

Agencies would share the costs of communication lines, network capacity and application requirements so that the state can maximize its investments. Agencies would only use the lines, network capacity and technology they require at any given time. This is a particularly attractive feature because of the seasonal nature of many services such as tax information and processing.

The system's design would be flexible so that the state could take advantage of cheaper and more advanced technologies as they become available. Additionally, the system would have an integrated, modular design so that as agency program requirements change, only those portions of the system that have been affected will have to be changed. Maintenance of the technology would be easier in a central facility and would enable state agencies to focus on serving customers rather than developing, implementing, and maintaining the technology.

The drive and emphasis on electronic service delivery and on-line access to government information will also require agencies to ensure that their internal systems are inter-operable with external systems run by citizens and by vendors that supply products and services to government. Electronic

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Administration, Department of (Admin)
PROGRAM: Information Policy Office
ACTIVITY: Information Strategies and Planning Division

ITEM TITLE: Statewide Electronic Commerce Services
(Continuation)

data exchange within and among state agencies promises significant gains in productivity, efficiency and effectiveness. Such information sharing will enable agencies to avoid duplicate data entry for our customers and ourselves and to fill in information gaps in individual agency databases.

This initiative would fund development of a statewide electronic commerce facility: plans and design for the facility, implementation of several pilots, evaluation of the pilots and plans for full scale operations.

LONG-TERM IMPACT:

The electronic commerce initiative will provide an effective, dependable means of delivering state information and services electronically. It will improve public access to state government by providing common, user-friendly access points to government information and services that can be accessed through multiple technologies and applications across the state. A central electronic commerce facility will enable the state to leverage its information technology investments and better control costs. It will help position the state as a leader in information technology in both government and business and increase our competitive advantage in the global marketplace. The initiative will also enable us to collaborate with the private sector and share the costs of developing, deploying and operating the electronic commerce systems.

1996-97 Biennial Budget

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

ACTIVITY DESCRIPTION:

The Public Information Policy Analysis Division (PIPA) was created by merging the Data Practices Division and the Records Management activities of the Information Policy Office. By answering questions, providing education, and acting as information policy consultants, PIPA assists government agencies and private organizations to understand and comply with a variety of laws that constitute policy decisions about data practices, records management, and access to government data and to other types of data and information. PIPA plays a major role in assisting the legislature in the development of consistent, coherent, and workable statutes relating to data access, practices affecting data, data sharing, and the disposition of both governmental and nongovernmental data. The clientele of the legislative activity includes the legislature, the commissioner of administration, federal and state agencies, local government, private sector organizations, and individual citizens. PIPA assists citizens by providing information, consultation, and referral services. In response to requests from citizens, state and local government entities, and on behalf of the commissioner of administration, PIPA prepares, issues, and publicizes interpretive advisory opinions concerning rights of data subjects, classification of data, and public access to data. The opinion activity is being conducted with a sunset date of July 30, 1995. Permanent continuation of the opinion activity, and funding for it, is supported by the department.

BUDGET ISSUES:

Increased demand by the public for access to government data, increased understanding by citizens of the effects of information on their lives, new forms of technology, pressure on government entities to share data, and an increasingly complex set of public policies dealing with these issues yields increased demand for the services of this activity. The availability of advisory opinions presents a no-cost alternative for citizens and a low-cost alternative for agencies to resolve disputes about data access and data practices. In 1993, additional funding was added to the activity's budget to add staff to deal with the opinion authority and with increased demand for services. However, this increase was in part offset by the fact that the Department of Human Services, which for years supported staff to answer information policy questions and to provide full-time education and consultative services to the welfare system, including counties and private agencies, stopped providing that service two years ago. Many of the requests for service that were handled by the Department of Human Services now flow to PIPA. Additional funding for this activity is not being sought for this biennium but, if demand continues to increase, additional funding may be requested in the future.

REVENUE:

This activity generates non-dedicated revenue.

Dollars in Thousands				
<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue:				
	\$-0-	\$1	\$1	\$1
Non-dedicated - Gen'l	\$-0-	\$1	\$1	\$1

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	. Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	166	198	253	253	253	253	253	253	253
EXPENSES/CONTRACTUAL SRVCS	3	7	53	8	8	8	8	8	8
MISC OPERATING EXPENSES	3	8	71	4	4	4	4	4	4
SUPPLIES/MATERIALS/PARTS		6	1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	172	219	378	266	266	266	266	266	266
TOTAL EXPENDITURES	172	219	378	266	266	266	266	266	266
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	172	219	378	266	266	266	266	266	266
TOTAL FINANCING	172	219	378	266	266	266	266	266	266
FTE BY EMPLOYMENT TYPE:									
REGULAR	2.5	5.0	5.0		5.0			5.0	
TOTAL FTE	2.5	5.0	5.0		5.0	5.0		5.0	5.0

BUDGET ACTIVITY: Government Information Access Council
PROGRAM: Information Policy Office
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The 1994 legislature created a Minnesota Government Information Access Council (GIAC). The Council's primary mission is to develop principles to assist elected officials and other government decision makers in providing citizens with greater and more efficient access to government information, both directly and through private business. The council is comprised of representatives of business, government, labor, education, diverse communities, and private citizens.

To improve public access to government information and programs and to help government become more efficient, effective, and responsive through the use of information technology, this activity will address:

- What information should be made available free of charge to the public and what information should be sold, either by government agencies or through private businesses, and what factors should determine the prices that government should charge citizens and businesses that resell information.
- How government can foster the creation of new private businesses that distribute enhanced government information services to citizens and how government can avoid duplicating services available from private providers.
- What technological and operational changes government needs to make to ensure that more government information is readily available to citizens.
- How state and local government can protect their intellectual property rights while meeting the requirements of the state's data practices laws.
- How increased accessibility of government data affects the privacy rights of individuals.

Other legislative-required duties include:

- Review of agency initiatives for providing electronic access to state government.
- Coordination of statewide efforts by state and local government to plan for and develop systems and demonstration projects.
- Ensuring free or nominal cost public access to certain government information that is essential to allow citizens to participate fully in a democratic system of government.

IPO provides technical and other support services to the council and will oversee state agency efforts to implement projects and programs to ensure they adhere to the council's principles.

BUDGET ISSUES:

Statewide planning will be required to determine how electronic access can be structured to best serve the public for ease of use, inter-operability, interconnectivity, and multiple services from a common access point. Ongoing budget support is required to design and implement statewide strategies for electronic access.

REVENUE:

None

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: INFORMATION POLICY OFFICE
ACTIVITY: GOVERNMENT INFO ACCESS COUNCIL

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES			78	78	78	78	78	78	78
EXPENSES/CONTRACTUAL SRVCS			322	322	322	322	322	322	322
SUBTOTAL STATE OPERATIONS			400	400	400	400	400	400	400
TOTAL EXPENDITURES			400	400	400	400	400	400	400
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL			400	400	400	400	400	400	400
TOTAL FINANCING			400	400	400	400	400	400	400
FTE BY EMPLOYMENT TYPE:									
REGULAR			1.0		1.0			1.0	
TOTAL FTE			1.0		1.0			1.0	

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

PROGRAM DESCRIPTION:

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

PROGRAM STATUS:

The division:

- provides objective information to the legislature on management and public policy issues confronting the state;
- advises and acts for the governor and his cabinet on issues related to the overall management of state government;
- develops, pilots, and disseminates innovative ways to improve government quality and productivity;
- provides consultation and technical assistance on department operations to the commissioner of administration; and
- provides affordable management consulting services on productivity and quality improvement to state agencies and local units of government.

PLANNED RESULTS:

Consultant services are provided at the client's request to address specific needs. Satisfaction with how these needs are addressed, coupled with the need to provide fair, neutral, and comprehensive information, is the primary measurable outcome of the services.

Our objective is to maintain annually a 70% satisfied rating from client surveys and/or interviews on consultation services provided and the objectives will be measured by interviews and/or surveys of clients. The satisfaction rating is determined by a numerical scale on most surveys. Specific questions will be asked to determine if the client found the service useful and/or if the client was using the service(s) provided. No baseline data is available at this time.

The Management Analysis Division provides fair, neutral, and comprehensive perspectives in its consultation services. At times, this means providing clients information they do not want to hear. Such information may be vital to an organization's desire to improve, but the benefits are not seen for a period of time after MAD completes its work.

Ongoing communication and feedback with current clients and past clients is the key to maintaining customer satisfaction. Consultants will build from past accomplishments and learn from past setbacks and use this knowledge to effectively assist new clients in dealing with management and organization issues.

BUDGET AND REVENUE SUMMARY:

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

Consulting fees for the F.Y. 1996-97 are expected to be increased by no more than 3% each fiscal year.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,524	548	475	475	475	475	475	475	475
EXPENSES/CONTRACTUAL SRVCS	515	65	87	43	43	43	44	44	44
MISC OPERATING EXPENSES	97	18	44	18	18	18	18	18	18
SUPPLIES/MATERIALS/PARTS	100	17	11	11	11	11	11	11	11
CAPITAL EQUIPMENT	40	1	18	18	18	18	18	18	18
OTHER	49								
SUBTOTAL STATE OPERATIONS	3,325	649	635	565	565	565	566	566	566
TOTAL EXPENDITURES	3,325	649	635	565	565	565	566	566	566
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,612	614	635	565	565	565	566	566	566
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	675								
GIFTS AND DEPOSITS	38	35							
TOTAL FINANCING	3,325	649	635	565	565	565	566	566	566
FTE BY EMPLOYMENT TYPE:									
REGULAR	23.7	23.0	23.0		23.0		23.0		
TEMP/SEAS/PART_TIME	28.0	4.6	4.6		4.6		4.6		
TOTAL FTE	51.7	27.6	27.6		27.6	27.6	27.6		27.6

DEPARTMENT OF ADMINISTRATION
DIVISION of MANAGEMENT ANALYSIS

REVOLVING FUND ACTIVITY: MANAGEMENT ANALYSIS
BUDGET ACTIVITY: 02 - 220
TYPE OF FUND: INTERNAL SERVICE FUND
FUND NUMBER: 89

BUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET 96/97
PROGRAM: MANAGEMENT ANALYSIS

(Dollars in Thousands)

* OPERATIONS DATA *

* FINANCIAL DATA *

	* OPERATIONS DATA *					* FINANCIAL DATA *			
	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	PROJECTED FY 1996	PROJECTED FY 1997	ACTUAL FY 1993	ACTUAL FY 1994	ESTIMATED FY 1995	
OPERATING REVENUES:						ASSETS:			
NET SALES	672.0	1,043.5	981.7	1,011.2	1,041.5	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	129.3	85.5	187.0
GROSS PROFIT ON SALES	672.0	1,043.5	981.7	1,011.2	1,041.5	OTHER CURRENT ASSETS	237.4	232.9	190.4
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	366.7	318.4	377.4
NET REVENUES	672.0	1,043.5	981.7	1,011.2	1,041.5	NON-CURRENT ASSETS:	14.1	8.7	29.0
LESS: OPERATING EXPENSES:						TOTAL ASSETS	380.8	327.1	406.4
SALARIES	524.1	806.6	806.6	830.8	855.8	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	86.8	160.6	133.2	137.2	141.3	LIABILITIES:			
INDIRECT COSTS	49.1	16.9	36.7	37.8	38.9	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	6.2	6.2	5.0	5.0	5.0	DUE GENERAL FUND - CURRENT	165.0	53.1	0.0
TOTAL OPERATING EXPENSES	666.2	990.3	981.5	1,010.8	1,041.0	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	5.8	53.2	0.2	0.4	0.5	OTHER CURRENT LIABILITIES	112.0	117.1	115.0
NON-OPERATING REVENUES (EXPENSES)	(1.2)	(0.6)	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	277.0	170.2	115.0
NET INCOME (LOSS)	4.6	52.6	0.2	0.4	0.5	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	89.5	94.1	146.7	146.9	147.3	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	0.0	0.0	0.0
ENDING RETAINED EARNINGS	94.1	146.7	146.9	147.3	147.8	OTHER NON-CURRENT LIABILITIES	9.7	10.2	144.5
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	9.7	10.2	144.5
RATE INCREASE/(DECREASE):	10.00%	0.00%	15.00%	3.00%	3.00%	TOTAL LIABILITIES	286.7	180.4	259.5
FIVE YEAR AVERAGE INCREASE/(DECREASE)	6.20%					FUND EQUITY:			
						CONTRIBUTED CAPITAL	0.0	0.0	0.0
						RETAINED EARNINGS	94.1	146.7	146.9
						TOTAL FUND EQUITY	94.1	146.7	146.9
						TOTAL LIABILITIES & FUND EQUITY	380.8	327.1	406.4

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1996-97 Biennial Budget

AGENCY: Intergovernmental Information Systems Advisory Council (IISAC)

AGENCY DESCRIPTION:

IISAC was established by the legislature in 1972 to provide leadership for cooperation and exchange of information among units of local and state government. IISAC has one of Minnesota's broadest governmental advisory council representation and is composed of:

- Cities, counties, townships, regional governments and school districts, both from the metropolitan area and greater Minnesota.
- The state auditor and 7 state agencies (administration, education, human services, revenue, planning, legislative auditor, and economic security).
- Four local government associations (presently League of Minnesota Cities, Association of Minnesota Counties, Minnesota Association of Townships, and Minnesota Association of School Administrators).
- One librarian.
- Two state legislators (1 representative and 1 senator).

IISAC provides services to all levels of government, including quasi-governmental organizations, and has a vision of units of government working together to meet the challenges of information management.

IISAC's charge is to promote and encourage the effective, efficient use and exchange of information among local and state government agencies. IISAC shall assist state and local agencies to:

- Develop and update intergovernmental information systems.
- Facilitate participation of users during development or major revision of intergovernmental information systems.
- Provide educational opportunities to keep government organizations up-to-date on technology issues through conferences, seminars and training sessions.
- Provide grants and the Pacesetter award to public and quasi-public bodies to encourage new ventures in information interchange and innovative systems.
- Act as an ombudsman between governments.
- Encourage cooperative efforts among state and local governments in developing intergovernmental information systems.
- Assist the legislature by providing advice on intergovernmental information systems.

EFFICIENCY MEASURES:

Measurements of staff are being accomplished through a survey of council members. Measurement of IISAC's activities are done in several ways. Attendees' at conferences are surveyed and evaluated. Members receive comments from their constituents. IISAC reviews the work of committees on an ongoing basis. FINREP will provide a more accurate and timely local government financial reporting system.

REVENUES:

None.

GRANTS:

Grants are made to applicants who meet formal criteria. Some of the evaluation criteria are: the request must be unique; requestor must show ability to implement the proposal; results must be usable by similar organizations; 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 to determine whether funds can be derived elsewhere, including the legislature. Statutory authority is M.S. 16B.42.

	Dollars in Thousands	
	F.Y. 1993	F.Y. 1994
IISAC Grants Awarded	\$148	\$96

EXPLANATION OF AGENCY'S BUDGET PLAN:

Carryover of Financial Reporting (FINREP) Funds - The Legislative Commission on Planning and Fiscal Policy directed IISAC to reengineer local government reporting to the State. Funds were allocated for F.Y. 1993, 1994 and 1995, but were not appropriated in F.Y.1994. Funds appropriated in F.Y. 1995 are sufficient to complete the project; however, we are requesting an extension of time to complete the project. This would provide more time to gain further input from local and state government which will enhance acceptance of the project. We would also implement the Accounting Standards Resource Board using these funds. This board, consisting of members from the legislature, State Auditor, executive branch and local government would set accounting standards for local government reporting.

We are requesting the following rider, "The appropriation for a local government financial reporting system, pursuant to Laws of 1994, Chapter 587, Article 3, Section 3, subdivision 6, is available until expended."

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: INTERGOVT INFO SYS ADV COUNCIL
 PROGRAM: INTERGOVT INFO SYS ADV COUNCIL
 ACTIVITY: INTERGOVT INFO SYS ADV COUNCIL

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	102	103	105	105	105	105	105	105	105
EXPENSES/CONTRACTUAL SRVCS	300	14	1,238	18	19	19	18	20	20
MISC OPERATING EXPENSES	7	6	11	11	11	11	11	11	11
SUPPLIES/MATERIALS/PARTS	3	1	2	2	2	2	2	2	2
CAPITAL EQUIPMENT	5		1	1	1	1	1	1	1
SUBTOTAL STATE OPERATIONS	417	124	1,357	137	138	138	137	139	139
LOCAL ASSISTANCE	148	8	80	48	48	48	48	48	48
TOTAL EXPENDITURES	565	132	1,437	185	186	186	185	187	187
AGENCY PLAN ITEMS:									
			FUND						
3% SMALL AGENCY INCREASE			GEN		1			2	
TOTAL AGENCY PLAN ITEMS					1			2	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	349		1,200						
GENERAL	216	132	237	185	186	186	185	187	187
TOTAL FINANCING	565	132	1,437	185	186	186	185	187	187
FTE BY EMPLOYMENT TYPE:									
REGULAR	2.0	2.0	2.0		2.0			2.0	
TOTAL FTE	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: INTERGOVT INFO SYS ADV COUNCIL

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	1,437	1,437	237	237	1,200	1,200		
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<1,200>	<1,200>			<1,200>	<1,200>		
APPROPRIATIONS CARRIED FWD	<52>	<52>	<52>	<52>				
SUBTOTAL BASE ADJ.	<1,252>	<1,252>	<52>	<52>	<1,200>	<1,200>		
CURRENT SPENDING	185	185	185	185				

1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: PUBLIC BROADCASTING

PROGRAM

PAGE

Public Broadcasting

F-252

Public Television

Public Radio

Twin City Regional Cable

BUDGET ENTITY: Public Broadcasting

BUDGET ENTITY DESCRIPTION:

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 is made up of the following activities:

Public Television

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, business corporations, and educational facilities. State grants are made on a direct and matching basis, consistent with the criteria established in M.S. 129D.11-16.

Public Radio

State funds are used to support public radio stations which serve Minnesota residents through radio programming which is noncommercial, informational, cultural, ethnic, and educational in nature. It is programming designed to appeal to audiences not generally served by commercial broadcasters. Operational and equipment grants are made pursuant to the criteria listed in M.S. 129D.

Twin Cities Regional Cable Channel

State funds are used to provide 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.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the current level of spending.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC BROADCASTING
PROGRAM: PUBLIC BROADCASTING

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
PUBLIC TELEVISION	1,725	1,988	1,760	1,872	1,872	1,872	1,872	1,872	1,872
PUBLIC RADIO	651	984	303	644	644	644	644	644	644
TWIN CITY REGIONAL CABLE		25	25	25	25	25	25	25	25
TOTAL EXPENDITURES BY ACTIVITY	2,376	2,997	2,088	2,541	2,541	2,541	2,541	2,541	2,541
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,376	2,997	2,088	2,541	2,541	2,541	2,541	2,541	2,541
TOTAL FINANCING	2,376	2,997	2,088	2,541	2,541	2,541	2,541	2,541	2,541
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

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

AGENCY: PUBLIC BROADCASTING

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	2,088	2,088	2,088	2,088				
BASE ADJUSTMENTS								
BIENNIAL APPROPRIATIONS	453	453	453	453				
SUBTOTAL BASE ADJ.	453	453	453	453				
CURRENT SPENDING	2,541	2,541	2,541	2,541				

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1996-97 Biennial Budget

BUDGET ACTIVITY: Public Television
PROGRAM: Public Broadcasting
BUDGET ENTITY: Public Broadcasting

ACTIVITY DESCRIPTION:

This activity exists to provide equipment and matching grants to the public television stations serving Minnesota residents and institutions. 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, business corporations, and educational facilities. State grants are made on a direct and matching basis, consistent with the criteria established in M.S. 129D.11-16.

BUDGET ISSUES:

State grants help the recipient stations meet the enormous ongoing costs associated with providing public television broadcast services. These funds are used to purchase equipment, originate local programs, acquire and broadcast programs, and to support station operations. In addition, state funds provided through this activity are matched by the federal government, corporations, foundations, and individuals. For some stations, state grants are essential if they are to maintain their viability as a broadcast facility. All state funds are leveraged for funds from several other sources.

Minnesota Public Television has greatly expanded its outreach efforts within their respective communities by providing more social programming that is having a positive impact. Besides traditional educational and public affairs programs, all stations are deeply involved in PEP, which is a specific preschool children education initiative designed to prepare children for their entry into the formal education system and how to resolve conflicts in a non-violent manner. Grant funds are used to support this common-sense approach to helping the youth of Minnesota.

While no specific state revenues are generated by this grants program, public television does provide a significant benefit by accurately projecting Minnesota as a good place to live, raise a family, and conduct business. While such benefits are difficult to measure, they are significant. Over 80% of the people living in Minnesota watch public television each month. While it is a very expensive medium in which to produce programs, the actual cost is only \$.05 per viewer hour. This is an excellent return on investment by any measure.

The Public Television Grants Program is a good financial bargain. In several states, public television is owned and operated by a governmental agency, thus making them totally dependent on state funding. This is not the case in Minnesota. Each station is a community-owned nonprofit entity, only partially funded by state revenues. Nationally, Minnesota ranks 36th in its per capita financial support for Public Television.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC BROADCASTING
PROGRAM: PUBLIC BROADCASTING
ACTIVITY: PUBLIC TELEVISION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	1,725	1,988	1,760	1,872	1,872	1,872	1,872	1,872	1,872
TOTAL EXPENDITURES	1,725	1,988	1,760	1,872	1,872	1,872	1,872	1,872	1,872
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,725	1,988	1,760	1,872	1,872	1,872	1,872	1,872	1,872
TOTAL FINANCING	1,725	1,988	1,760	1,872	1,872	1,872	1,872	1,872	1,872
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

BUDGET ACTIVITY: Public Radio
PROGRAM: Public Broadcasting
BUDGET ENTITY: Public Broadcasting

ACTIVITY DESCRIPTION:

This activity exists to provide support to public radio stations which serve Minnesota residents through radio programming which is noncommercial, informational, cultural, ethnic, and educational in nature. It is programming designed to appeal to audiences not generally served by commercial broadcasters. Operational and equipment grants are made pursuant to the criteria listed in Minnesota Statutes, Sect. 129D.

BUDGET ISSUES:

Public radio stations serve an important communications function to the many and varied communities in Minnesota. These communities include Minnesota's vast geography. The stations specialize in indepth news and information programming and culturally diverse musical broadcasts which include classical music, jazz, and music from the world's many cultures and populations. Some stations provide non-English language programs for Minnesota's immigrant populations.

State grants supplement individual contributions from listeners, business and corporate underwriting, foundation income and federal operating grants from the Corporation for Public Broadcasting (CPB), and federal equipment grants from the Department of Commerce through the National Telecommunications and Information Administration (NTIA). State funds are matched with local contributions and provide the basis to earn federal grants thus multiplying the contributions made by the state.

Capital needs for public radio stations have reached critical proportions. The cumulative effect of repeated state budget reductions and economic stress in Minnesota communities have stretched public radio resources to a point where equipment failure threatens the provision of quality service to Minnesota listeners.

The combined equipment needs of the 38 public radio stations serving Minnesota exceeds \$2,700,000. Most radio stations are utilizing equipment that has far surpassed the normal lifespan of electronic equipment in daily use. The widespread use of student and volunteer personnel further shortens the life of delicate radio equipment.

Equipment technology is changing dramatically, with existing equipment rapidly becoming obsolete. Much equipment now in daily use cannot be repaired because parts are no longer available. Public broadcasters that train and educate students do not have the equipment that is in use in the facilities that will be expected to hire the graduates.

ACTIVITY COSTS:

State grants are utilized by recipient public radio stations to meet personnel, operations, and equipment costs. In addition, public radio stations make use of volunteers to augment station activities and community service. Measurable annual outputs of public radio activity include:

Member contributions	\$5,000,000
Minnesota listeners (weekly)	800,000
Volunteer hours	85,000
Locally originated programming (hours)	80,000

REVENUE:

None.

GRANTS:

The equipment and state community service block grants for public radio are made pursuant to Minnesota Statutes, Sect. 129D. The equipment grants for public radio are necessary to allow public broadcasters to keep pace with equipment technology changes that are currently underway as equipment manufacturers are converting to digital audio technology. The portion of the grants that will be utilized by Minnesota Public Radio will be used for the expansion and enhancement of their statewide network by adding service on the Iron Range, Brainerd, and Appleton.

The portion of the equipment grants that will be utilized by the AMPERS stations will be used to upgrade and enhance the equipment at each of the stations.

Community Service Block Grants are utilized by the AMPERS stations to meet a variety of operational needs of the stations and are used to match contributions from a number of other non-state revenue sources.

All public radio stations must meet the criteria set out in Sect. 129D to be able to receive grants. Grant applications are reviewed and approved by the Department of Administration and allocated according to session law.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC BROADCASTING
PROGRAM: PUBLIC BROADCASTING
ACTIVITY: PUBLIC RADIO

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	651	984	303	644	644	644	644	644	644
TOTAL EXPENDITURES	651	984	303	644	644	644	644	644	644
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	651	984	303	644	644	644	644	644	644
TOTAL FINANCING	651	984	303	644	644	644	644	644	644
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

BUDGET ACTIVITY: Twin Cities Regional Cable Channel
PROGRAM: Public Broadcasting
BUDGET ENTITY: Public Broadcasting

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.

REVENUE:

None.

GRANTS:

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

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC BROADCASTING
PROGRAM: PUBLIC BROADCASTING
ACTIVITY: TWIN CITY REGIONAL CABLE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE		25	25	25	25	25	25	25	25
TOTAL EXPENDITURES		25	25	25	25	25	25	25	25
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		25	25	25	25	25	25	25	25
TOTAL FINANCING		25	25	25	25	25	25	25	25
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

AGENCY: Capitol Area Architectural and Planning Board (CAAPB)

AGENCY DESCRIPTION:

To preserve and enhance the Capitol Area's unique aesthetic and historic character, and to plan and guide its future development by 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 public agencies, especially the Department of Administration, the City of St. Paul, planning district and neighborhood development groups, and with private sector architects and developers.

GOALS AND OBJECTIVES:

As long-range planner for Capitol Area development, the CAAPB's responsibility for public projects begins with site selection and architectural design competitions, and continues through construction because the CAAPB must approve any design changes. Individual project planning occurs within a long-range framework for the area's physical development: the Comprehensive Plan for the Minnesota State Capitol Area.

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 must be long-range.

REVENUES:

None.

ISSUES AFFECTING AGENCY'S OPERATIONS:

1. Prior budget cuts have forced us to assume increased reliance upon a provision in state law which allows us to seek reimbursement from other public agencies for required design review and planning. However, for the many smaller projects which require limited review this process has proven slow-moving in its bureaucracy, cumbersome in paperwork, and cost-inefficient. Administration and Finance agree that it would be more efficient to shift funding these small project services to the operating budget; however, until that occurs, for small state projects we will need to continue seeking reimbursement from those agencies requiring our review and planning of any capital improvement proposed for the Capitol Area.
2. Increased workload because of growing demand for services, such as our involvement in the

Department of Administration's Strategic Plan, has been carried by a reduced base. This situation has resulted in the continual deferral of updating the Capitol Area's Comprehensive Plan and Zoning Ordinance. An update of the Comprehensive Plan for locating state agencies and the growing number of memorials proposed for the Capitol grounds.

3. Financial paperwork and contract management has grown significantly, at times diverting us from our primary purpose of long-range planning.

EXPLANATION OF THE AGENCY'S BUDGET PLAN:

The CAAPB operating budget request for F.Y.s 1996 and 1997 is based on the current fiscal 1994 and 1995 spending level of \$254,000. The base covers both salaries for its 5 permanent employees (the executive secretary, 2 planners, and 2 support staff), and the legally-required review and advisory services of a committee composed of 3 architects.

The CAAPB will operate within the base by maintaining its full-time payroll at current levels, the lowest level it has been at for 9 years, and by carefully monitoring the design review services of its legislatively-mandated Architectural Advisors. We will also operate within current levels by limiting extensive review of complicated projects to those for which the agency's budget can be reimbursed.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: CAPITOL AREA ARCH PLANNING BD
PROGRAM: CAPITOL AREA ARCH PLANNING BD
ACTIVITY: CAPITOL AREA ARCH PLANNING BD

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	191	200	221	209	209	209	209	209	209
EXPENSES/CONTRACTUAL SRVCS	36	48	135	54	58	58	54	62	62
MISC OPERATING EXPENSES	5	4	4	4	4	4	4	4	4
SUPPLIES/MATERIALS/PARTS	5	2	2	2	2	2	2	2	2
SUBTOTAL STATE OPERATIONS	237	254	362	269	273	273	269	277	277
TOTAL EXPENDITURES	237	254	362	269	273	273	269	277	277
AGENCY PLAN ITEMS:									
			FUND						
			3% SMALL AGENCY INCREASE		4			8	
			TOTAL AGENCY PLAN ITEMS		4			8	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	235	253	347	254	258	258	254	262	262
STATUTORY APPROPRIATIONS:									
GENERAL	2	1	15	15	15	15	15	15	15
TOTAL FINANCING	237	254	362	269	273	273	269	277	277
FTE BY EMPLOYMENT TYPE:									
REGULAR	4.4	4.9	4.9		4.9			4.9	
TEMP/SEAS/PART_TIME	.2	.2	.2		.2			.2	
TOTAL FTE	4.6	5.1	5.1		5.1	5.1		5.1	5.1

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

AGENCY: CAPITOL AREA ARCH PLANNING BD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	362	362	362	362				
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<82>	<82>	<82>	<82>				
APPROPRIATIONS CARRIED FWD	<12>	<12>	<12>	<12>				
DOCUMENTED RENT/LEASE INC/DEC	1	1	1	1				
SUBTOTAL BASE ADJ.	<93>	<93>	<93>	<93>				
CURRENT SPENDING	269	269	269	269				

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1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: FINANCE

PROGRAM

PAGE

ACCOUNTING SERVICES

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ACCOUNTS RECEIVABLE PROJECT

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BUDGET SERVICES

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ECONOMIC ANALYSIS

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INFORMATION SERVICES

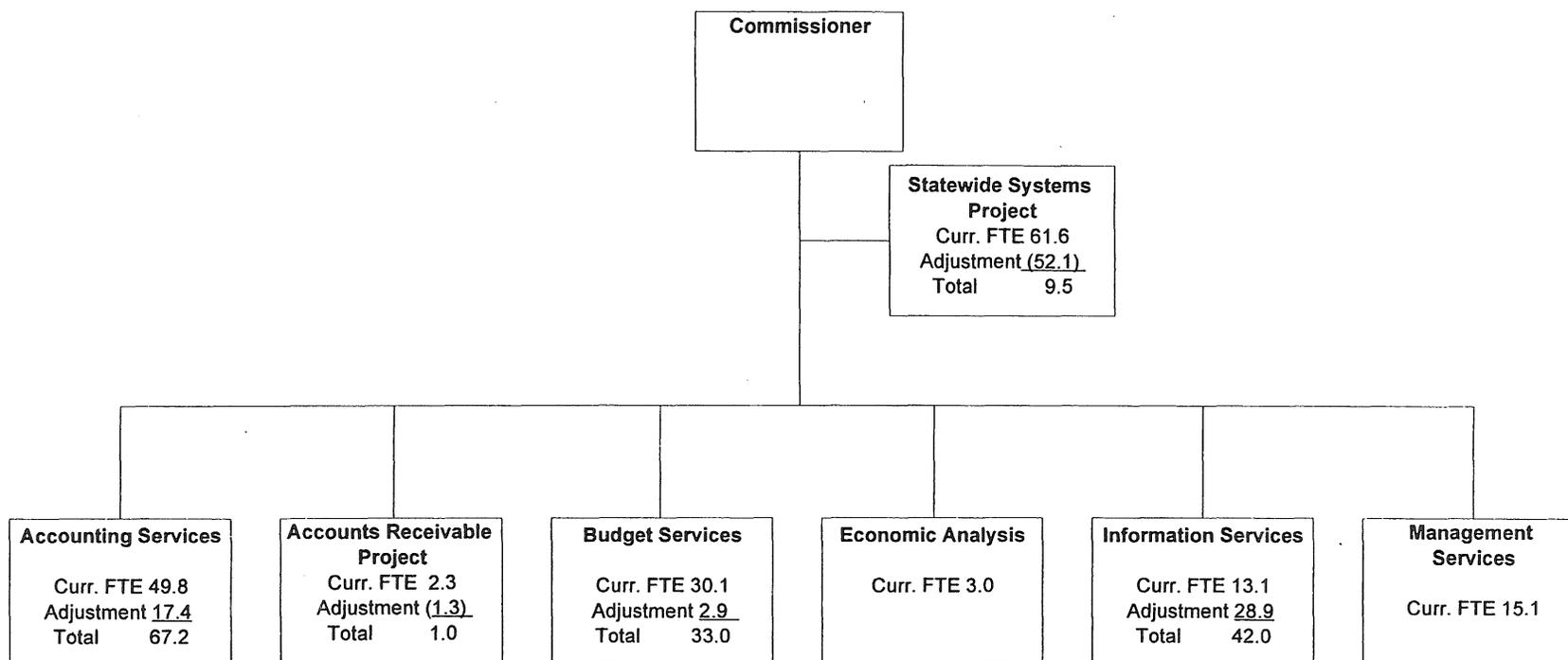
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Information Services
SSP Development

MANAGEMENT SERVICES

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Department of Finance



Current FTE (F.Y. 1995)	175.0
Adjustment	<u>(4.2)</u>
Total FTE (F.Y. 1996)	170.8

January 1, 1995

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Finance, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$29,191	\$29,191	\$58,382
<u>BASE ADJUSTMENT:</u>			
Appropriations Carried Forward	(721)	(721)	(1,442)
Non-Recurring Expenditures	(12,143)	(12,539)	(24,682)
Base Transfer (Between Funds)		105	105
Base Transfer (Between Agencies)	3,582	3,624	7,206
Documented Rent Increase	12	20	32
Attorney General Costs	<u>182</u>	<u>182</u>	<u>364</u>
<u>CURRENT SPENDING</u>	\$20,103	\$19,862	\$39,965
<u>AGENCY DECISION ITEMS:</u>			
Reallocations for SSP Implementation	(582)	582	-0-
Service and Systems Requirements	732	732	1,464
Accounts Receivable Systems Development	<u>600</u>	<u>-0-</u>	<u>600</u>
<u>AGENCY PLAN</u>	\$20,853	\$21,176	\$42,029
GOVERNOR'S RECOMMENDATIONS	\$20,853	\$21,176	\$42,029

Brief Explanation of Agency Plan:

- *Reallocations for SSP Implementation:* As the Statewide Systems Project moves from a design and development stage to implementation, the department will reorganize its efforts to support the increased functionality and capabilities of the new systems. In addition, all operating costs for all 4 administrative systems are included in the department's budget. Finally, maintenance costs for 3 of the new systems plus technical support and ongoing training are included.
- *Service and Systems Requirements:* The plan includes funding for support necessary for making increased functionality of the new systems available to agencies. In addition, additional reporting requirements and assuming responsibility for statewide fixed asset reporting and statewide local area network (LAN) support require funding of the plan.

- *Accounts Receivable Systems Development:* Funds will be transferred to the Department of Revenue (DOR) for enhancements to the DOR collections system to help ensure the level of additional revenues received as a result of the Accounts Receivable Project. In addition, modifications to the Human Services system, originally included in the current level of funding must be deferred until next biennium when the new accounting system is in place.

Revenue Summary:

In the next biennium, the Accounts Receivable project will generate more than \$33 million in additional collections to the General Fund alone. In addition, these efforts will collect more than \$14 million for other funds. These efforts are being coordinated by the Department of Finance and involve an interagency partnership with the Attorney General's Office, and the departments of Human Services, Revenue and Economic Security.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

AGENCY: Finance, Department of

AGENCY DESCRIPTION:

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.

AGENCY CHALLENGES:

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.

This mission includes the commitment to "improve accountability and promote the prudent management of state resources." This commitment is found across the department.

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. Accordingly, the department faces several challenges in the coming biennium.

- *Accounting Services:* Several significant changes are impacting the operations of the accounting division. These include the implementation of the new accounting and payroll systems; greater emphasis on assisting agencies to meet their financial accounting and payroll needs, using the flexibility of the new systems, while maintaining the necessary controls; the decentralization of internal control systems permitted by the new systems while still assuring adequate statewide controls; and, changing financial reporting requirements.
- *Information Services:* The Information Services (IS) division faces many challenges beginning in F. Y. 1996. The division will change from an IS division that has maintained and run a basic, centralized accounting, payroll and budget system for many years, to a division that will be charged with maintaining and running a new, expanded-functionality, client-server based accounting and payroll system. The accounting system will be integrated with the state's procurement system, and the payroll system will be integrated with the state's human resource system. The IS division will also maintain and run the state's information access systems. The additional responsibilities of the procurement, human resources, and information access systems, as well as the continued responsibilities of the accounting, payroll and budget systems will make

significant changes in the IS structure. In addition, the IS division will be challenged with the networking support for agencies using the systems and the continuous training necessary to get the most value of the assets being put in place.

- *Budget Services:* Minnesota state and local governments will face recurring gaps between spending and revenues over the next ten years. Impending sweeping federal changes can be expected to increase the need to develop effective and increasingly sophisticated responses to these fiscal challenges. SSP implementation will require redesigning current annual and biennial budget practices. Increasing demands to expand the availability of state and local budget data and related performance information will require expanding information management solutions to improve both the breadth and quality of information.

AGENCY STRATEGIES

The department's strategic direction continues to focus 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 implementation of the Statewide Systems Project (SSP), an emphasis on accountability through the annual performance report and a commitment to customer service and performance management. In addition, the department will continue to reengineer and simplify or eliminate unneeded processes or controls and cultivate collaborative opportunities with other agencies.

The fundamental work of the department continues to focus on sound financial management, production of the state's economic forecast, development of the state's capital and operating budget, and managing the state's financial accounting systems. However, the following strategies will address specific challenges facing the agency.

- *Accounting Services:* The accounting division will reorganize according to a plan developed to meet the changing needs identified above. The agency plan provides resources for additional and more professional staff to meet these challenges. A significant training and transition effort faces the division in the next biennium to assure that accounting information and controls meet the needs of the changing environment in which we operate.
- *Information Services:* The Information Services Division will provide statewide technical systems support and related services for the administrative systems being implemented by the SSP, as well as the other systems being provided by the department. (Biennial Budget System, Fiscal Notes, Rule Notes, and Performance Monitoring) This division will implement the new systems and administer the existing systems to take full advantage of efficiencies, and to set up a long term strategy for getting agencies improved information to support decentralized decision making.
- *Budget Services:* The budget division will continue to provide high quality fiscal analysis to the Governor and legislature. To do so, budget teams have been restructured to emphasize emerging priority issues. Similarly, a significant portion of division resources were reallocated in the current year to provide needed design and development contributions to the statewide systems

AGENCY: Finance, Department of

(Continuation)

project. Project implementation will require a high level of participation and oversight through F.Y. 1996, as new policies, procedures and reporting mechanisms are designed and implemented. The biennial budget system will be redesigned to complement changes in the accounting system, and technological advances associated with the project will be used to improve access to budget and performance information.

REVENUE SUMMARY:

The Accounts Receivable Project expects to return more than \$33 million to the General Fund in the next biennium plus an additional \$14 million to other funds. These revenues reflect money owed to the state but otherwise uncollected. The Accounts Receivable Project is an interagency partnership with the Attorney General's office, and the departments of Human Services, Revenue and Economic Security.

SUMMARY OF BUDGET REQUEST:

There are 3 major aspects of the agency plan. The first allocates ongoing operating funds related to the implementation of the SSP throughout the department. The second funds service and support levels necessary to provide agency assistance and statewide support required by changing reporting requirements and the new systems. The third involves computer systems development related to the Accounts Receivable Project.

Reallocations for SSP Implementation: The plan as reviewed and approved by the 1994 legislature for the implementation of the SSP systems included \$13.6 million in ongoing operating costs during the F.Y. 1996-97 biennium. Of these costs \$600,000 will be used to maintain the Human Resources system. Accordingly, they are reflected in the Department of Employee Relations budget. The remaining \$13 million were to be used by the Department of Finance for ongoing operation and support of the new systems.

Service and System Requirements: This portion of the agency plan is divided into 2 parts. The department must expand its technical support to state agencies, especially to small agencies, and must address statewide support issues.

- Agency Assistance: The department recognizes the need to provide additional assistance to agencies beyond the level originally envisioned. The new systems have allowed rethinking of many business processes and, as a result, there are new demands being placed on agencies.
- Statewide Support: The department recognizes the need for continued interagency coordination in the support of these systems. In addition, the department must respond to changes in reporting requirements. This part of the initiative provides the necessary resources in the Department of Finance to address these needs.

Accounts Receivable Systems Development: The third part of the budget request is an agency plan to provide \$600,000 for computer systems development in the departments of Revenue and Human

Services. These requested funds are important to the Accounts Receivable Project's success in improving current collections, reducing past due balances, and improving management practices statewide. Funds invested assist the project building long term structures and relationships that increase the state's ability to collect its earned revenues. The investment will have a long term impact on debtors' awareness of their responsibilities and willingness to fulfill their obligations to the state.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPARTMENT OF

PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ACCOUNTING SERVICES	2,742	2,439	3,009	2,857	3,986	3,986	2,857	4,003	4,003
ACCOUNTS RECEIVABLE PROJECT	223	147	370	3,552	4,152	4,152	3,552	3,552	3,552
BUDGET SERVICES	1,932	1,692	2,091	1,940	2,026	2,026	1,940	2,026	2,026
ECONOMIC ANALYSIS	280	277	316	301	299	299	301	308	308
INFORMATION SERVICES	3,763	11,505	22,069	10,097	8,920	8,920	9,745	9,643	9,643
MANAGEMENT SERVICES	1,569	2,767	1,505	1,461	1,575	1,575	1,467	1,644	1,644
TOTAL EXPENDITURES BY PROGRAM	10,509	18,827	29,360	20,208	20,958	20,958	19,862	21,176	21,176
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	54	41	169	105	105	105			
GENERAL	10,455	18,786	29,191	20,103	20,853	20,853	19,862	21,176	21,176
TOTAL FINANCING	10,509	18,827	29,360	20,208	20,958	20,958	19,862	21,176	21,176
FTE BY EMPLOYMENT TYPE:									
REGULAR	110.5	102.7	107.1		161.0			169.0	
TEMP/SEAS/PART_TIME	11.3	43.1	67.7		9.5			3.0	
OVERTIME	.8	.1	.2		.3			.3	
TOTAL FTE	122.6	145.9	175.0		170.8	170.8		172.3	172.3

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

AGENCY: FINANCE, DEPARTMENT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	29,360	29,360	29,191	29,191	169	169		
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<785>	<785>	<721>	<721>	<64>	<64>		
NON-RECURRING EXPENDITURES	<12,143>	<12,539>	<12,143>	<12,539>				
BASE TRANSFER (BTWN FUNDS)				105			<105>	
BASE TRANSFER (BTWN AGENCIES)	3,582	3,624	3,582	3,624				
DOCUMENTED RENT/LEASE INC/DEC	12	20	12	20				
ATTORNEY GENERAL COSTS	182	182	182	182				
SUBTOTAL BASE ADJ.	<9,152>	<9,498>	<9,088>	<9,329>	<64>	<169>		
CURRENT SPENDING	20,208	19,862	20,103	19,862	105			

1996-97 Biennial Budget

PROGRAM: Accounting Services
AGENCY: Finance, Department of

PROGRAM DESCRIPTION:

The Accounting Services Division provides statewide accounting and payroll services to agencies. The program provides for accounting, payroll and reporting on a statewide basis as well as supporting agencies in these same efforts to meet their individual needs. These services include establishing the policies and framework for a system of internal controls to assist in assuring compliance with appropriate financial principles, policies and legal requirements.

Division priorities include:

- **Accounting and Payroll Operations:** The program is responsible for providing statewide accounting and payroll systems and maintaining the integrity of the information in them. Statewide policies, procedures and guidelines are developed for use by agencies as they establish their internal policies and procedures for accounting and payroll operations.
- **Statewide internal control:** Development and maintenance of statewide internal controls is a high priority of this program. This includes determining the controls necessary in statewide financial systems as well as developing statewide policies and procedures regarding controls over manual processes. Limited post audit of agency activities to determine adherence with required controls will also occur.
- **Accounting and Payroll Assistance to agencies:** The program is responsible for enabling agencies to use the statewide systems effectively and efficiently to meet their objectives. This includes education of agency staff in accounting and payroll functions. The program facilitates agency involvement in developing statewide accounting and payroll policies and procedures.
- **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 and reporting for federal cash management activities.

PROGRAM STATUS:

The implementation of the new accounting and payroll systems will have a dramatic impact on this program. These new systems have provided both the opportunity and the necessity for changing the way the Accounting Services Division operates. The department is shifting emphasis from controlling agency operations to providing guidelines and objectives so that agencies can determine the best process for their circumstances. This has caused a shift in the accounting services division from controlling the way agencies use the accounting and payroll systems to helping them to make the best use of the new, more flexible systems. Agency options and greater access to information make it possible for agencies to assume more decision making responsibilities with assistance and/or consultation from the accounting services division.

To accomplish this, the division must reorganize to meet the broader needs of agencies. New, more professional skills will be required of division staff to accommodate these changes. The changes include assistance to agencies, review of agency specific internal controls systems and increased post

audit of transactions. Education efforts need to be increased to ensure that agencies have the necessary skills and knowledge to use these new systems effectively.

PLANNED RESULTS:

The budget plan, including the agency plan for this program includes resources to meet the performance measures in the 1994 Annual Performance Report plus the outcomes listed below.

BUDGET SUMMARY:

The Department of Finance has taken the lead role in the development of the new statewide administrative systems brought about by the Statewide Systems Project (SSP). The new accounting, procurement, payroll, human resources, and information access systems, will be integrated, provide more timely information for the state, and eliminate redundancies. These systems will also be more complex and will place greater responsibilities on agencies.

Accordingly, the department requests this agency plan to ensure that the state is able to take advantage of the investments made in the new systems, to provide agencies with necessary technical assistance, to centralize accounts receivable and fixed asset files, and to meet the requirements of expanded accounting principles and internal controls.

There are 2 major aspects of the budget plan for F.Y. 1996-97. The first allocates ongoing operating costs to the Accounting Services program, the second provides support for state agencies, especially small agencies, and funds certain changes in statewide reporting.

Reallocations for SSP Implementation (\$722,000 for F.Y. 1996 and \$748,000 for F.Y. 1997): The systems designed by the SSP require ongoing operating funds to support agencies in their use of the new systems and to implement re-engineering opportunities. Because of the robustness of the new systems and the many options available to agencies, increased emphasis on policies and procedures and agency education is necessary. The on-line nature of transactions and approvals will require more monitoring to assure that transactions awaiting correction or approval are completed. The greatly increased complexity and flexibility of the chart of accounts will require department staff to maintain tables and work with agencies to assure that their needs are met with their account structure as well as their statewide information needs.

Re-engineered processes incorporated into the new systems include a change in the process for printing and mailing warrants. The use of self mailing warrants require less manual intervention but are more expensive to print. Another process change is that all employee payroll will be centrally mailed rather than distributed to each agency for hand distribution or mailing. This will increase the mailing costs but again will reduce the manual processing of warrant and provides additional time needed to process the payroll and still meet payroll dates.

Service and Systems Requirements: The second aspect of the agency plan contains 2 parts. The department must expand its support to state agencies, especially to small agencies. In addition, there are statewide support issues that need to be addressed.

Agency Assistance (\$250,000/year): The department recognizes the need to provide additional assistance to agencies beyond the level originally envisioned. The new systems have allowed rethinking of many business processes and, as a result, there are new demands being placed on agencies. In addition, new internal control requirements and the need to centralize certain support functions will require additional resources in the Department of Finance.

PROGRAM: Accounting Services
AGENCY: Finance, Department of
(Continuation)

- **Small Agencies:** Because of the complexity of the new systems and because of the limited administrative staff in small agencies, Finance recognizes the need to provide additional services to facilitate the use of the new systems. This initiative will enable Finance to provide accounting and payroll services for those small agencies requesting this assistance.
- **Customer File Central Maintenance:** The department proposes central maintenance of the customer file for the accounts receivable system being implemented with the new accounting system. This will enhance collection activities by enabling the state to identify customers owing money to multiple agencies and will eliminate some customer information duplication.
- **Internal Controls:** Agencies will need to enhance their internal control systems in response to both the new system and new audit reporting requirements. To assure the integrity of the state-wide systems and reporting, and to address the recent changes in audit standards, agency management must report on the adequacy of their internal control structures. This will require assertions by agencies and the Department of Finance based on review of those controls. This part of the initiative will provide an educational effort, periodic reviews and assistance to agencies to assure adequate internal controls are put in place.
- **Report Writing:** The initiative will allow Accounting Services to provide an efficient report writing support service to state agencies.

Statewide Support (\$147,000/year): The department wishes to address new financial reporting requirements and assume the responsibility for statewide fixed asset inventories formerly maintained by the Department of Administration. This part of the initiative provides the necessary resources in the Accounting Services Division to address these needs.

- **Financial Reporting:** Changes in the generally accepted accounting principles for governments have broadened the scope of financial reporting to include additional organizations not formerly included. This initiative will enable to Department of Finance to work with these organizations to meet these new requirements.
- **Fixed Asset Inventory Maintenance:** The department will be assuming responsibility for the statewide inventory of equipment needed to support the fixed asset reporting in the state's annual financial report. The Department of Administration will no longer be maintaining this information on a statewide basis. The Department of Finance needs statewide fixed asset information to continue to receive an unqualified audit opinion on the state's financial statements. Continuation of the unqualified audit opinion helps support the state's high bond rating. The initiative will support this new responsibility.

As a result of this plan the department expects the following outcomes:

Agency Assistance:

- Small agency administrative functions will continue with minimal disruption as we move to the use of the new administrative systems. Small agencies will be able to concentrate on the management of their programs without having to devote additional resources to gain and maintain expertise in the use of the new systems. While the Department of Finance will be providing assistance in the use of the systems, financial, purchasing and human resource decisions will remain the responsibility of the small agencies. Agreements will be created for all such services provided, detailing the responsibilities of the central agencies and those of the small agencies.
- A centralized customer file maintenance effort will allow the state agencies to improve the efficiencies in billing and collecting from customers. Delinquent customers owing more than one agency can be identified and collection actions will be enhanced. This will assist agencies in avoiding duplicate efforts, and potentially will increase the collections of receivables.
- Meeting the internal control review and reporting needs will enable the state to provide the users of our financial information with financial statements that have an unqualified auditors opinion on the adequacy of our internal controls. This will increase the credibility of the financial information the Department of Finance and state agencies provide.
- A centralized effort of report writing will allow small agencies to remain focused of their program activities rather than maintain the technical expertise and knowledge of how to get information from the SSP systems. This effort will also eliminate redundant report generation of agency specific information.

Statewide Support:

- The state's financial statements will continue to receive unqualified audit opinions and the statements will meet the federal requirements for single audit reporting. The credibility of the state's financial information will also remain high.

Long-Term Impact:

These are all long-term plans and they will continue into the 1997-98 biennium. If the service and systems requirements support needs are met, agencies will have new information tools for informed decision-making and reporting. In addition, many stand-alone information systems will not be necessary because the new systems will have the capabilities to provide the needed information. Better handling of certain functions like the customer file central maintenance will insure that state agencies have access to information in ways that were never available before. It also will help to assure that the state's resources are being managed in accordance with good business practices far into the future by providing resources needed to educate agencies in developing sound internal controls and by providing the mechanisms to evaluate those controls to insure they continue working properly.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPARTMENT OF
PROGRAM: ACCOUNTING SERVICES
ACTIVITY: ACCOUNTING SERVICES

ACTIVITY SUMMARY	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,180	1,979	2,302	2,302	3,098	3,098	2,302	3,112	3,112
EXPENSES/CONTRACTUAL SRVCS	160	180	250	250	299	299	250	302	302
MISC OPERATING EXPENSES	264	249	273	273	555	555	273	555	555
SUPPLIES/MATERIALS/PARTS	56	31	19	19	19	19	19	19	19
CAPITAL EQUIPMENT	82		165	13	15	15	13	15	15
SUBTOTAL STATE OPERATIONS	2,742	2,439	3,009	2,857	3,986	3,986	2,857	4,003	4,003
TOTAL EXPENDITURES	2,742	2,439	3,009	2,857	3,986	3,986	2,857	4,003	4,003
AGENCY PLAN ITEMS:									
REALLOCATIONS FOR SSP IMPLEMENTATION			GEN		722			748	
TECHNICAL ADJUSTMENTS			GEN		11			2	
SERVICE AND SYSTEMS REQUIREMENTS			GEN		396			396	
TOTAL AGENCY PLAN ITEMS					1,129			1,146	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,742	2,439	3,009	2,857	3,986	3,986	2,857	4,003	4,003
TOTAL FINANCING	2,742	2,439	3,009	2,857	3,986	3,986	2,857	4,003	4,003
FTE BY EMPLOYMENT TYPE:									
REGULAR	46.5	40.8	42.9		66.0			68.0	
TEMP/SEAS/PART_TIME	4.8	6.8	6.8		1.0			1.0	
OVERTIME	.4		.1		.2			.2	
TOTAL FTE	51.7	47.6	49.8		67.2	67.2		69.2	69.2

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1996-97 Biennial Budget

PROGRAM: Accounts Receivable Project
 AGENCY: Finance, Department of

PROGRAM DESCRIPTION:

The Accounts Receivable project increases the effectiveness and efficiency of the state's collection efforts. Strong management of receivables leads to collection of more state funds at a lower cost. The approach has three key components:

1. Improve the state's current management and collection practices to reduce accounts receivable balances, improve collections, and increase cost effectiveness statewide.
2. Operate a central, state-operated collection service which serves as collection resource for state agencies with limited collection expertise.
3. Maintain expert legal resources within the Office of the Attorney General specifically dedicated to support state agencies and the state collection service in collection matters, and to represent the state in collection litigation proceedings.

The project is a cooperative effort between the Departments of Finance, Human Services, Revenue, and the Office of the Attorney General.

PROGRAM STATUS:

The project has made significant progress in implementing each of its component parts. Additional tax collectors produced additional revenues, new statewide and agency specific management structures were implemented, the state operated collection service was developed and started servicing customers on 7-1-94, private collection agencies were hired and started working past due receivables, and the Attorney General's Office strengthened the state in the area of collections litigation, education and legislation. In F.Y. 1994 the project is estimated to have returned nearly three times the General Fund amount invested.

PLANNED RESULTS:

The project is expected to increase collection of receivables in the following agencies as follows:

Department	Revenues to	F.Y. 1996	Dollars in Thousands			F.Y. 1999
			F.Y. 1997	F.Y. 1998	F.Y. 1999	
Revenue	General Fund	\$14,280	\$13,280	\$13,280	\$13,280	
Human Services	General Fund	1,499	1,499	1,499	1,499	
	Other Funds	1,690	1,690	1,690	1,690	
Human Services*	General Fund	1,283	1,160	1,160	1,160	
	Child Support	Other Funds	3,345	2,367	2,367	2,367
Economic Security**	Other Funds	1,176	1,176	1,176	1,176	
All Other Agencies	General Fund	280	280	280	280	
	Other Funds	1,388	1,388	1,388	1,388	
Totals	General Fund	\$17,342	\$16,219	\$16,219	\$16,219	
	Other Funds	\$7,599	\$6,621	\$6,621	\$6,621	

- * These increased collections are treated as an offset against AFDC expenses.
- ** Efforts at the Department of Economic Security are not funded through General Fund appropriations, but through federal funds.

BUDGET SUMMARY:

The budget plan is structured as follows:

1. The first part of the budget plan builds on the first key component of the Accounts Receivable Project. It improves collection of current receivables through improved statewide management standards, better collection tools, consolidation of efforts, and improved debtor education. The budget funds additional collectors at the Department of Revenue and improved management practices and consolidation of efforts at the Department of Human Services. The Department of Finance sets receivable management standards, supports state agencies, and monitors progress within its Accounting Services Division budget.

Department	F.Y. 1996	F.Y. 1997
Revenue	\$580,000	\$580,000
Human Services	\$104,000	\$104,000
Human Services Child Support	\$156,000	\$156,000

2. The second part of the agency plan funds the state's central collection operations at \$2,112,000. The Department of Revenue operates the state's central collection service and collects receivables for state agencies without collection tools or expertise. This operation consolidates statewide collection efforts and provides efficiencies not present in the past. By drawing upon the collection expertise within the Department of Revenue, the state collects more funds than would otherwise be possible, and at a lesser cost. This budget supports the collection service's collection staff, computer systems, and administrative expenses. It also supports one staff person to manage the relationship between the collection entity and the Department of Human Service's Child Support division. Child Support is the service's largest customer outside of the Department of Revenue.

3. The third part of the budget provides the state with a pool of legal expertise within the Office of the Attorney General which focuses specifically on debt avoidance and collection issues. The attorneys and legal staff funded through this budget are available to all state agencies and the state operated collection service for representation in legal proceedings. The agency plan for this activity is \$548,364.

4. The fourth part of the budget request is an agency plan to provide \$600,000 for computer systems development in the departments of Revenue and Human Services. These funds are important to the Accounts Receivable Project's success in improving current collections, reducing past due balances, and improving management practices statewide. Funds invested assist the project building long term structures and relationships that increase the state's ability to collect its earned revenues. The benefits of the investment requested will be realized over a period of many years. The investment increases the state's ability to collect both now and long into the future. The investment will have a long term impact on debtors' awareness of their responsibilities and willingness to fulfill their obligations to the state.

Accordingly, the department requests \$100,000 to replace an equal amount of funds that were appropriated for F.Y. 1994-95 but unexpended. The Department of Human Services received

1996-97 Biennial Budget

PROGRAM: Accounts Receivable Project
AGENCY: Finance, Department of
(Continuation)

\$100,000 during F.Y. 1994-95 to consolidate and modify computers used to account for receivables, thereby increasing collections and efficiency. However, the department feels that the changes would more appropriately be made in F.Y. 1996, once the architecture of the new statewide accounting system is more clearly defined. They chose to postpone these modifications and will allow the funds to cancel to the General Fund at the end of F.Y. 1995. However, the department's ability to meet their goals for increased collections during F.Y. 1996-99 is dependent upon these systems modifications being made during F.Y. 1996.

The department also requests \$500,000 to add needed functionality to the Accounts Receivable collection service's computer system in the Department of Revenue. The \$500,000 would fund enhancements to the service's computer systems and the purchase of auto-dialing equipment. The auto-dialing equipment uses computers to dial debtor phone numbers and make contact, thereby reducing labor expenses. The project's original costs and benefits anticipated that these systems would be in place by the end of F.Y. 1995. However, cost estimates exceeded available funds and these modifications were not able to be made.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPARTMENT OF
PROGRAM: ACCOUNTS RECEIVABLE PROJECT
ACTIVITY: ACCOUNTS RECEIVABLE PROJECT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES		141	208	52	52	52	52	52	52
EXPENSES/CONTRACTUAL SRVCS	223		162						
MISC OPERATING EXPENSES		1							
CAPITAL EQUIPMENT		5							
OTHER				3,500	4,100	4,100	3,500	3,500	3,500
SUBTOTAL STATE OPERATIONS	223	147	370	3,552	4,152	4,152	3,552	3,552	3,552
TOTAL EXPENDITURES	223	147	370	3,552	4,152	4,152	3,552	3,552	3,552
AGENCY PLAN ITEMS:									
ACCTS RECEIVABLE SYSTEMS DEVELOPMENT					600				
TOTAL AGENCY PLAN ITEMS					600				
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	223	147	370	3,552	4,152	4,152	3,552	3,552	3,552
TOTAL FINANCING	223	147	370	3,552	4,152	4,152	3,552	3,552	3,552
FTE BY EMPLOYMENT TYPE:									
REGULAR		1.4	1.0		1.0			1.0	
TEMP/SEAS/PART_TIME		1.3	1.3						
TOTAL FTE		2.7	2.3		1.0	1.0		1.0	1.0

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1996-97 Biennial Budget

PROGRAM: Budget Services
AGENCY: Finance, Department of

PROGRAM DESCRIPTION:

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 financial data and consistency in presentation, producing the budget documents, and developing 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 needed to determine when a balanced budget has been established. The program reports the budgetary balances that are established by legislative and executive action and projects the impact in the following budget period.

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 budget options and resolution of budget issues for executive and legislative considerations.

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 become legal deficiency issues, and providing consulting services to agencies on accounting and financial management procedures.

PROGRAM STATUS:

It is important to recognize several significant challenges that will affect this program over the next several years that are beyond providing its essential core services. Minnesota state and local governments will face recurring gaps between spending and revenues over the next 10 years. Impending sweeping federal changes can be expected to increase the need to develop effective and increasingly sophisticated responses to these fiscal challenges. SSP implementation will require redesigning current annual and biennial budget practices. Increasing demands to expand the availability of state and local budget data and related performance information will require expanding information management solutions to improve both the breadth and quality of information.

PLANNED RESULTS:

The outcome measures suggested in the division's annual performance report reflect longer term objectives for improving the state's budget and fiscal management. There are, however, critical results and projects which must occur in support of those objectives. These efforts, beyond the normal "core" services provided by the division are reflected below.

Budget Development: The department is committed to increasing the usefulness, quality and ease of access of state budget information to the Governor, the legislature and the public. Significant changes are required to the underlying Biennial Budget System (BBS) structure as a result of the new accounting system. The Biennial Budget System will be redesigned by March, 1996 to incorporate the structure (chart of accounts) of the new accounting system. Advances in technology associated with the statewide systems project will be used to move BBS to an easier to use graphical user interface. Coincident with the required redesign elements, significant changes will be made to make certain segments of the agency budget preparation process easier and more efficient.

The budget division will coordinate the state's commitment to developing budgets which emphasize performance. By September, 1995 several pilot agencies will be incorporated into an automated performance measures and annual performance reporting system "Performs". It is not possible to track statewide measures across agencies on a manual basis. The Performs system, under development with the Information Services Division, will provide the basis for enhanced budget information and outcome measures for budgeting. The program will continue to focus staff efforts on continued progress in performance based budget development.

The program is committed to increasing the quality of outcomes information and improving its relevance and reliability. Budget planning and operations staff will work with state agencies, the legislative auditor's office and legislative staff to design and implement necessary changes in approach, instructions and in associated budget information and management systems.

Financial Planning and Budgetary Reporting: The division has expanded efforts in financial forecasting and budget reporting to include all state funds as well as local government revenues. Part of the "Price of Government" legislation enacted in the 1994 session, the requirements to forecast and set targets for total state and local revenues will continue to require a significant amount of effort to define and produce useful information on a regular recurring basis. The budget planning unit will continue to develop models of state spending and revenues which will be useful to determining the impact of public policy decisions beyond a current budget cycle. The program will continue to improve the capital budget process by producing a long-term strategic budget plan for consideration by the 1996 Legislature.

The program will concentrate on improved fund balance reporting and initiate changes to better link state expenditures and associated outcomes by defining and implementing "statewide functional coding" first in the performance reporting system, then the budget system, and finally in the new accounting system. Development of a statewide information database, information access tools and educating potential users represents a high priority to increasing access to summary statewide financial data for planning and decision making purposes.

Financial Analysis: The division responds to citizen demands for accountability and economy in government by coordinating development of responsible courses of action for the years ahead. Much of the policy work conducted by the division will continue to occur as part of the biennial budget development and review cycle. The division will continue to provide high quality financial and policy analysis for proposed legislation (fiscal notes) as well as ongoing issues such as health care,

1996-97 Biennial Budget

PROGRAM: Budget Services
AGENCY: Finance, Department of
(Continuation)

government consolidation, environmental funding as well as new critical issues which are expected to emerge from likely federal budget actions. Executive budget officers continue to be the primary consultants to state agencies, the Governor's Office and the legislature for the development of financial and policy analysis which results in the state's budget and financial plan for the next several years.

The program will improve the fiscal note process by continuing to work with legislative committees to identify bills with high priority and to expedite fiscal notes that are needed as soon as possible. Technology implemented in the accounting and budget systems will also provide easier user access and increased narrative capabilities to the existing fiscal note system.

Budget Implementation: The program will continue to implement changes to the way it applies financial management controls and ensures accountability. As in the accounting division, the program will continue to identify ways to reduce the number of levels of financial control by delegating some financial management responsibilities to agencies and by using accounting and budget systems technology to provide financial control oversight.

Much of the activity over the next biennium will related to the implementation of the new accounting system and associated budget system changes. During F.Y. 1996, increased oversight will be required to review operations of the new systems. During the year, many existing budget policies and procedures will need to be reviewed and changed to ensure that accountability is maintained as authority and flexibility is increased for agencies. Executive budget officers and budget operations staff will coordinate budget related activities.

The emphasis on pre-approvals, controls and requirements will be replaced with enhanced management reporting for both annual spending plan approval and for financial management during the year. During the initial year, a significant effort will be required to develop both the financial reporting tools and management procedures necessary to ensure that legislative intent is maintained within the new flexibility being accorded to agencies.

BUDGET SUMMARY:

The current spending level for F.Y. 1997 of \$1.940 million is within four-tenths of a percent, or \$8,000 of the actual spending for the budget services program in F.Y. 1993, 4 years earlier. Budget constraints over the past 2 biennia have provided no growth in funding and salary increases and budget reductions have been absorbed within the program without significantly affecting program objectives.

During that same period the budget services program has undertaken significant new responsibilities and expansion of existing responsibilities. Expanded activities include coordinating statewide annual performance reporting, 6 year capital budget development, all funds state budget forecasting, state and local revenue forecasting, expanded analysis of fees and departmental earnings, and support of budgetary requirements in SSP design, development and implementation.

Many of the program objectives for F.Y. 1996-97 will be met within existing budget resources and staffing. The biennial budget system will be redesigned for the F.Y. 1998-99 budget cycle to meet the requirements of the new accounting system and improve end user access. This will be accomplished by current staff within the existing operating funding for BBS in the information systems division. Design and implementation of the Performs system will be accomplished with existing staff and \$58,000 per year operating funding currently in the information systems division base level of funding.

Expansion of budgetary based reporting and state and local revenue forecasting, continued development of and application of performance budgeting concepts, continuing required fiscal and policy analysis and all essential core functions and annual and biennial products could be maintained at appropriate levels at the current level of funding.

The challenges of statewide systems implementation, however, cannot be met within the current funding level. As part of the department-wide initiative, \$95,000 per year for 2 full-time equivalent positions has been allocated to provide a greater level of staff support to address critical information access and financial management needs. One position is designated to provide independent capability within the budget division to assure that adequate reporting is available from the new systems to meet agency level, statewide, and budgetary based reporting needs for summary state reporting, forecasting, unique executive budget officer financial management requirements, as well as legislative and legislative staff unique information requirements.

The second position will assist in implementing policy and procedural changes from pre-approval and input control to post-audit reviews and design of financial management reporting mechanisms related to budget development and execution during the year. This position will support our efforts to ensure that proper review and oversight is maintained by executive budget officers and that appropriate information is available for legislative oversight.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPARTMENT OF
PROGRAM: BUDGET SERVICES
ACTIVITY: BUDGET SERVICES

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,818	1,632	1,970	1,871	1,961	1,961	1,871	1,961	1,961
EXPENSES/CONTRACTUAL SRVCS	15	22							
MISC OPERATING EXPENSES	29	26	57	42	59	59	42	59	59
SUPPLIES/MATERIALS/PARTS	26	2	27	27	6	6	27	6	6
CAPITAL EQUIPMENT	44	10	37						
SUBTOTAL STATE OPERATIONS	1,932	1,692	2,091	1,940	2,026	2,026	1,940	2,026	2,026
TOTAL EXPENDITURES	1,932	1,692	2,091	1,940	2,026	2,026	1,940	2,026	2,026
AGENCY PLAN ITEMS:									
REALLOCATIONS FOR SSP IMPLEMENTATION					95			95	
TECHNICAL ADJUSTMENTS					<9>			<9>	
TOTAL AGENCY PLAN ITEMS					86			86	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	54	41	169	105	105	105			
GENERAL	1,878	1,651	1,922	1,835	1,921	1,921	1,940	2,026	2,026
TOTAL FINANCING	1,932	1,692	2,091	1,940	2,026	2,026	1,940	2,026	2,026
FTE BY EMPLOYMENT TYPE:									
REGULAR	28.1	25.7	29.6		33.0			33.0	
TEMP/SEAS/PART_TIME	.6		.5						
TOTAL FTE	28.7	25.7	30.1		33.0	33.0		33.0	33.0

1996-97 Biennial Budget

PROGRAM: Economic Analysis
AGENCY: Finance, Department of

PROGRAM DESCRIPTION:

The Economic Analysis Division provides periodic forecasts of state revenues. These forecasts set the starting point for the budget process. Sound revenue forecasts make government more efficient by reducing uncertainty for public sector managers and by reducing the need to make short term adjustments in program activities due to unanticipated fluctuations in revenues.

PROGRAM STATUS:

The revenue forecast begins with a national economic forecast provided by Data Resources (DRI). That national forecast is then modified to reflect the composition and behavior of the Minnesota economy. Results from the Minnesota economic forecast are then used in separate models to compute expected state tax receipts. The division has produced two forecasts each year since 1988. In addition an *Economic Update* which compares actual receipts with estimated revenues is produced quarterly. Division staff continuously monitor receipts against the forecast to provide early warning of potential revenue shortfalls.

PLANNED RESULTS:

The budget plan will allow the division to meet its objective of forecasting as accurately as possible the major revenue sources for which the division is responsible. Revenue forecast variances for each year are expected to be within a narrow confidence band defined by the expected errors on the Minneapolis Federal Reserve Bank's GDP forecast.

BUDGET AND REVENUE SUMMARY:

The budget plan reflects current operations with no changes in funding or activities.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPARTMENT OF
PROGRAM: ECONOMIC ANALYSIS
ACTIVITY: ECONOMIC ANALYSIS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	177	180	187	187	188	188	187	188	188
EXPENSES/CONTRACTUAL SRVCS	98	95	112	112	107	107	112	115	115
MISC OPERATING EXPENSES	4		2	2	4	4	2	4	4
SUPPLIES/MATERIALS/PARTS	1	2	3					1	1
CAPITAL EQUIPMENT			12						
SUBTOTAL STATE OPERATIONS	280	277	316	301	299	299	301	308	308
TOTAL EXPENDITURES	280	277	316	301	299	299	301	308	308
AGENCY PLAN ITEMS:									
			FUND						
TECHNICAL ADJUSTMENTS			GEN		<2>			7	
TOTAL AGENCY PLAN ITEMS					<2>			7	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	280	277	316	301	299	299	301	308	308
TOTAL FINANCING	280	277	316	301	299	299	301	308	308
FTE BY EMPLOYMENT TYPE:									
REGULAR	3.0	3.0	3.0		3.0			3.0	
TOTAL FTE	3.0	3.0	3.0		3.0	3.0		3.0	3.0

1996-97 Biennial Budget

PROGRAM: Information Services
AGENCY: Finance, Department of

PROGRAM DESCRIPTION:

The Information Services (IS) Division provides statewide systems support and related services for the statewide administrative software systems enabling state agencies and the other Department of Finance programs to serve the public, the governor and the legislature. The IS Division also provides Department of Finance programs departmental Local Area Network (LAN) support and personal computer (PC) training/support.

The statewide software systems supported include: accounting, payroll, human resources, procurement, biennial budget, rule notes, fiscal notes, performance monitoring, and the information access software systems.

During the 1996-97 biennium the Information Services Division will provide the resources necessary to complete the Statewide Systems Project (SSP). The Statewide Systems Project, will replace the State's accounting, procurement, human resource, and payroll systems. The effort also builds an information access system allowing easy access to information

PROGRAM STATUS:

The Information Services program has two budget activities. One is the on-going support of the systems, and the other is the completion of the SSP development.

The on-going support effort has presented the IS Division with major, new challenges. These new systems involve radical, new technologies that are being implemented in 160 agencies representing more than 40,000 employees and 385 locations. All agencies throughout the State have taken this unique opportunity to work together to make these systems a success.

The software system used by the state for human resources and payroll was provided to the State by the vendor PeopleSoft. These two applications, payroll owned by the Department of Finance (DOF) and human resources owned by the Department of Employee Relations (DOER), are highly integrated. This has required both DOF and DOER to work together in the support of each system.

The accounting and procurement systems, although provided to the State by different vendors, are also highly integrated. This has required DOF and the Department of Administration Materials Management Division (MMD) to work together also.

In addition to these agencies working together, many other state agencies work closely together in support of the systems. A support effort has been put together under the direction of the DOF Information Services Division called Mn-ASSIST. (Minnesota Administrative Statewide Systems Interagency Support Team). This effort is the planned support of the products produced by the Statewide Systems Project (SSP).

The SSP will move out of a project status in early F.Y. 1996 and into the ongoing support effort described above.

PLANNED RESULTS:

Information Services: The division will provide system support activities for the State's administrative systems to ensure the systems are effective, efficient and meet the needs of the Department of Finance and other state agencies.

- The division will provide computer operational services necessary to run the state's administrative systems. This will ensure reports, warrants, and information requests are produced in an accurate and timely manner.
- The division will provide programming support of the systems necessary for changes, upgrades, and programming bug fixes. This will allow the state to keep the systems in an up-to-date working condition which will protect the investment made in these systems by the state. This programming effort will also provide for some ad-hoc reporting requirements meeting the needs of small agencies and the department of finance.
- The division will provide systems and functional analysis support necessary for systems technical interpretation and systems re-engineering requirements. This will ensure agencies are getting the best use of the systems put in place.
- The division will provide customer help support to agencies in the use of the systems, and support of problems and user requests. This will allow problems to be addressed and corrected in an efficient and effective manner.
- The division will provide network support both to the department of finance and to other agencies in the use of the administrative systems. This will ensure the technical requirements of the systems are maintained allowing agencies full use of the systems.

Statewide Systems Project: This effort will complete the implementation of the accounting, procurement, human resource, and payroll systems. The programming, training, and agency implementations will be completed. As well as the transition from the project staff to the long-term state support staff.

- The effort will ensure all the system designs and programming efforts are complete. This will ensure the state has the systems it needs to provide the financial, employee, and procurement information requirements.
- The effort will ensure state staff is trained in the use of the systems ensuring employees are able to use the systems.

BUDGET SUMMARY:

Funds are requested to cover the costs of the staff requirements and operational expenses necessary to support the new state assets being put in place. These funds represent the shifting of the SSP from a project status to an operational support status. The budget also includes the costs required to complete the design and implementation of the new systems.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPARTMENT OF
PROGRAM: INFORMATION SERVICES

ACTIVITY RESOURCE ALLOCATION:	Est.			FY 1996			FY 1997		
	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
INFORMATION SERVICES	1,688	1,490	2,336	1,997	6,193	6,193	2,039	9,570	9,570
SSP DEVELOPMENT	2,075	10,015	19,733	8,100	2,727	2,727	7,706	73	73
TOTAL EXPENDITURES BY ACTIVITY	3,763	11,505	22,069	10,097	8,920	8,920	9,745	9,643	9,643
AGENCY PLAN ITEMS:			FUND						
REALLOCATIONS FOR SSP IMPLEMENTATION			GEN		<1,471>			<396>	
SERVICE AND SYSTEMS REQUIREMENTS			GEN		294			294	
TOTAL AGENCY PLAN ITEMS					<1,177>			<102>	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,763	11,505	22,069	10,097	8,920	8,920	9,745	9,643	9,643
TOTAL FINANCING	3,763	11,505	22,069	10,097	8,920	8,920	9,745	9,643	9,643
FTE BY EMPLOYMENT TYPE:									
REGULAR	17.4	19.0	17.6		44.0			50.0	
TEMP/SEAS/PART_TIME	4.2	34.0	57.1		7.5				
OVERTIME	.2								
TOTAL FTE	21.8	53.0	74.7		51.5	51.5		50.0	50.0

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1996-97 Biennial Budget

BUDGET ACTIVITY: Information Services
PROGRAM: Information Services
AGENCY: Finance, Department of

ACTIVITY DESCRIPTION:

The Information Services (IS) program provides statewide systems support and related services for the statewide administrative software systems enabling state agencies and the other Department of Finance programs to serve the public, the governor and the legislature. The IS program also provides other Department of Finance programs departmental Local Area Network (LAN) support and personal computer (PC) training/support.

The statewide software systems supported include: MAPS (Minnesota Accounting and Procurement System), payroll, human resources, BBS (Biennial Budget System), rule notes, fiscal notes, performance monitoring, and the information access software systems.

Application Support: The program provides application support for each of the software systems in the form of computer programming, systems analysis and design, functional analysis, and computer operations. Each area must work closely with the specific departmental/division program to ensure the proper deliverables are produced at the proper time.

The application support team also works closely with the software vendors/suppliers to ensure the application and utility software used by the state is in good working order. This involves correcting problems, addressing version enhancements and consulting on how specific features should work.

Training and Documentation: The program provides training and documentation support for each of the systems to all state agencies. Training comes in the form of classroom training, computer based training (CBT), and self study. Trainers are kept current on the use and functionality of each system, and classrooms are provided for the delivery of training courses.

Documentation of the systems is also provided by the IS program. User documentation, technical documentation, and policies and procedures are produced for use where needed statewide. The goal is to eventually have all documentation, policies and procedures available in an online format, and where possible this is currently the case. Some are still in paper format.

Customer Support: A customer support team has been setup in the IS program to support the state agencies using the statewide administrative systems. Questions for everything from "how to use a feature of a system" to "technical connectivity" come through the customer support team. Activity records are kept showing where questions are coming from and what the questions are. This gives us input into needed training areas and/or problem areas in the systems.

Technical Support: The program provides technical support to state agencies in how to use the system in each of the several modes possible. Areas include; client server use, network connectivity, printing reports, Microsoft Windows, personal computer usage, electronic software distribution, ad-hoc reporting and information access.

Business Management Support: A team of workers focus in the areas of system security, data base management, business resumption (disaster planning), contract management, information resource management, and information and system policy.

Department of Finance Local Area Network Support: The local area network interconnects all department staff for file sharing, electronic mail, spreadsheet, local data base work, and word processing. This team provided LAN support and PC software training to the departmental program staff. These activities should result in more efficiency and higher productivity in the program areas.

This program requires a cooperative effort between the Department of Finance, Employee Relations, and Administration Materials Management and Intertechnologies Group, as well as every other state agency using the systems.

BUDGET ISSUES:

The Department of Finance has taken the lead role in the development of the new statewide administrative systems brought about by the Statewide Systems Project (SSP). The new accounting, procurement, payroll, human resources, and information access systems, will be integrated, provide more timely information for the state, and eliminate redundancies. These systems will also be more complex and will place greater responsibilities on agencies. Accordingly, the department requests the following agency plan to ensure that the state is able to take advantage of the investments made in the new systems and to provide agencies with necessary technical assistance.

The agency plan indicates a shift from the SSP project in F.Y. 1996 to full operational support in F.Y. 1997. By then, the SSP will be completed and project related costs paid for. The large increases in expenses/contractual services represent the costs of the increases in functionality and user access of the systems built by the SSP. Most of the increase is related to Intertech mainframe operating costs of running the new systems.

The plan includes:

- operating and maintenance costs for the new MAPS, Payroll and Human Resources systems
- programming support costs for these systems
- network support and help desk costs for the new systems
- extensive information access and ad hoc reporting for state agencies and other decision makers

There are two aspects of the agency plan. The first allocates ongoing operating funds throughout the department, the second funds service and support levels necessary to provide agency assistance and statewide support.

Reallocations for SSP Implementation (\$3,902,000 in F.Y. 1996 and \$7,237,000 in F. Y. 1997):

The plan as reviewed and approved by the 1994 legislature for the implementation of the SSP systems included \$13.6 million in ongoing operating costs during the F.Y. 1996-97 biennium. Of these costs \$600,000 will be used to maintain the Human Resources system. Accordingly, they are reflected in the Department of Employee Relations budget. The remaining \$13 million were to be used by the Department of Finance for ongoing operation and support of the new systems. These costs are reflected in the Information Services, Accounting Services and Budget Services programs. In addition, specific components of the new system will not be implemented until the next biennium. This results in development costs in F. Y. 1996 and projected operating costs to be higher in the last year of the biennium.

1996-97 Biennial Budget

BUDGET ACTIVITY: Information Services
PROGRAM: Information Services
AGENCY: Finance, Department of
(Continuation)

Service and System Requirements: This portion of the agency plan is divided into two parts. The department must expand its technical support to state agencies, especially to small agencies, and must address statewide support issues.

Agency Assistance (\$92,000/year): The department recognizes the need to provide additional assistance to agencies beyond the level originally envisioned. The new systems have allowed rethinking of many business processes and, as a result, there are new demands being placed on agencies.

- **Statewide LAN Support:** Many agencies have no technical local area network (LAN) support staff. This support will be necessary to properly run the new SSP systems being put in place. It will also enable Finance to provide the necessary systems support to small agencies.
- **Report Writing:** The plan will allow Finance to provide an efficient report writing support service to agencies. It also allows Finance to assist agencies in the use of the new information warehouse being put in place.

Statewide Support (\$202,000/year): The department recognizes the need for continued interagency coordination in the support of these systems. This part of the plan provides the necessary resources in the Department of Finance to address these needs.

- **Analytical Support:** The plan will provide increased analytical support in the areas of information access and payroll programming. The department recognizes the need to provide broad statewide information through the use of the new information warehouse. The department will also require greater technical support for this information access. In addition, the new payroll system will require extensive programming support within the department because the new payroll system was highly customized to meet the unique state payroll needs and flexible enough for special agency applications.
- **Electronic Software Distribution:** The client server environment that will be put in place because of the SSP requires software to reside on agency servers and individual personal computers in agencies. The plan will provide for the support necessary to accomplish these efforts.

As a result of this plan, the department expects the following outcomes :

Agency Assistance:

- LAN support will insure agency LAN problems relating to SSP are dealt with in a timely and effective manner. This support will also insure network connectivity will be coordinated and managed as required for proper functionality.
- A centralized effort of report writing will allow agencies to remain focused of their program activities rather than maintain the technical expertise and knowledge of how to get information

from the SSP systems. This effort will also eliminate redundant report generation of agency specific information.

Statewide Support:

- The analytical support will allow the system maintenance and system knowledge process work properly. This support will bridge the gap between the functional and technical processes. The electronic software distribution support will allow agencies to maintain current versions of software and documentation.

These plans are all long-term and will continue into the 1997-98 biennium. If the support and systems requirements support needs are met, agencies will have the new information tools for informed decision-making and reporting. In addition, many stand-alone information systems will not be necessary because the new systems will have the capabilities to provide the needed information. This plan will help to assure that the state's resources are being managed in accordance with good business practices far into the future.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPARTMENT OF
PROGRAM: INFORMATION SERVICES
ACTIVITY: INFORMATION SERVICES

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	784	744	917	893	2,189	2,189	893	2,689	2,689
EXPENSES/CONTRACTUAL SRVCS	781	637	969	1,024	3,940	3,940	1,066	6,863	6,863
MISC OPERATING EXPENSES	49	55	52	52	46	46	52	18	18
SUPPLIES/MATERIALS/PARTS	74	39	153						
CAPITAL EQUIPMENT		15	245	28	18	18	28		
SUBTOTAL STATE OPERATIONS	1,688	1,490	2,336	1,997	6,193	6,193	2,039	9,570	9,570
TOTAL EXPENDITURES	1,688	1,490	2,336	1,997	6,193	6,193	2,039	9,570	9,570
AGENCY PLAN ITEMS:									
			FUND						
REALLOCATIONS FOR SSP IMPLEMENTATION			GEN		3,902			7,237	
SERVICE AND SYSTEMS REQUIREMENTS			GEN		294			294	
TOTAL AGENCY PLAN ITEMS					4,196			7,531	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,688	1,490	2,336	1,997	6,193	6,193	2,039	9,570	9,570
TOTAL FINANCING	1,688	1,490	2,336	1,997	6,193	6,193	2,039	9,570	9,570
FTE BY EMPLOYMENT TYPE:									
REGULAR	16.2	14.4	11.4		42.0			50.0	
TEMP/SEAS/PART_TIME		.8	1.7						
TOTAL FTE	16.2	15.2	13.1		42.0	42.0		50.0	50.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Statewide Systems Project Development
PROGRAM: Information Services
AGENCY: Finance, Department of

ACTIVITY DESCRIPTION:

During the F.Y. 1996-97 biennium the Information Services Division will provide the resources necessary to complete the Statewide Systems Project (SSP). The Statewide Systems Project, is an effort to replace the state's accounting, procurement, human resource, and payroll systems. The effort also builds an information access system allowing easy access to information.

The Statewide Systems Project will be completed in F.Y. 1996. Activities that will be done in F.Y. 1996 will be those necessary to complete some of the details that were pushed into a "post" implementation phase.

Design and Programming: In the area of system design and programming, functionality requirements that were determined to not be "day-one" critical were pushed out so implementation schedules could be met. These requirements will be completed in F.Y. 1996.

Training: A continuous effort of statewide training will take place throughout F.Y. 1996 to get agencies up-to-speed in the use of the SSP system functionality. This training will be in the areas of human resources, payroll, accounting, procurement, and information access use.

Human Resources/Payroll Implementation: The project will also be focusing on phasing agencies onto the new human resource and payroll systems. This will be a significant effort requiring careful conversion efforts, the timing of training, and the coordination of implementations.

Knowledge Transfer: As the project winds down efforts will be in place to ensure the knowledge transfer of project staff to state staff is taking place. Areas of knowledge to be transferred include such things as programming of systems, computer operations, and system functionality.

BUDGET ISSUES:

There are some final payments to the contractors that will take place in F.Y. 1996 and F.Y. 1997. These will cover the post implementation activities by the contractor and acceptance payments.

The budget includes costs related to :

- completion of the design and information warehouse
- final implementation of the Payroll System
- movement of the systems management to the Department of Finance

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPARTMENT OF
PROGRAM: INFORMATION SERVICES
ACTIVITY: SSP DEVELOPMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	275	1,858	3,327	1,317	512	512	953		
EXPENSES/CONTRACTUAL SRVCS	1,272	7,730	14,984	6,481	2,171	2,171	6,700	73	73
MISC OPERATING EXPENSES	14	65	111	76	30	30	19		
SUPPLIES/MATERIALS/PARTS	276	176	155	208	14	14	34		
CAPITAL EQUIPMENT	238	186	1,156	18					
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	2,075	10,015	19,733	8,100	2,727	2,727	7,706	73	73
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,075	10,015	19,733	8,100	2,727	2,727	7,706	73	73
AGENCY PLAN ITEMS:									
			FUND						
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
REALLOCATIONS FOR SSP IMPLEMENTATION			GEN	<5,373>			<7,633>		
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS				<5,373>			<7,633>		
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,075	10,015	19,733	8,100	2,727	2,727	7,706	73	73
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	2,075	10,015	19,733	8,100	2,727	2,727	7,706	73	73
FTE BY EMPLOYMENT TYPE:									
REGULAR	1.2	4.6	6.2		2.0				
TEMP/SEAS/PART_TIME	4.2	33.2	55.4		7.5				
OVERTIME	.2								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	5.6	37.8	61.6		9.5	9.5			

1996-97 Biennial Budget

PROGRAM: Management Services
AGENCY: Finance, Department of

PROGRAM DESCRIPTION:

The Management Services Program provides agency leadership and Cash and Debt Management services.

- *Agency leadership* provides overall strategic direction for the department and primary contact and consultation to the governor and the legislature.
- *Cash and Debt Management* 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.
- The *Administrative Services section* provides internal accounting, personnel/payroll, clerical support services and office management for the department.

PROGRAM STATUS:

Cash and Debt Management continues to work toward the goal of managing the general obligation debt of the state. The status of various portions of the program is as follows:

- State agencies will continue to need their existing banking services. Depository bank accounts are established for state agencies to deposit receipts.
- There are currently \$1.1 billion in authorized but unissued bond authorizations to be financed in future years. Additional bonds are expected to be sold in both F.Y.s 1996 and 1997. 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.
- The dollar amount of the tax exempt bonding allocation will be approximately \$230 million per year. The number of applications received is somewhat dependent on the level of economic activity and the level of interest rates.

PLANNED RESULTS:

Cash and Debt Management 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.

- 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 will 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.
- 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.

Administrative Services will continue 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 services and products especially in office automation.
- The new accounting, procurement, personnel and payroll systems associated with the Statewide Systems Project will be implemented in the first year of the biennium. As appropriate and within funding limits, the division will continue to incorporate these advancements into streamlining administrative systems.

BUDGET SUMMARY:

A summary of the budget plan is as follows:

Reallocations for SSP Implementation (\$72,000 in F.Y. 1996 and \$135,000 in F.Y. 1997):

- Additional costs for rent, supplies and other administrative costs as a result of implementation of the new systems are reflected in the budget plan

Service and Systems Requirements (\$42,000 each year):

- With the implementation of the SSP, the department will move to a statewide network characterized by decentralized financial systems and broad agency flexibility. This transition will place significant demands on the department's ability to communicate policies and procedures, share training opportunities and facilitate knowledge transfer to leverage the new tools. As the department has no dedicated resource for this communication effort, the agency plan will provide for the support necessary to ensure that these needs are addressed properly.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE, DEPARTMENT OF
PROGRAM: MANAGEMENT SERVICES
ACTIVITY: MANAGEMENT SERVICES

ACTIVITY SUMMARY				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	845	683	743	743	784	784	743	784	784
EXPENSES/CONTRACTUAL SRVCS	396	454	479	504	537	537	510	608	608
MISC OPERATING EXPENSES	113	104	106	106	106	106	106	106	106
SUPPLIES/MATERIALS/PARTS	173	102	145	98	138	138	98	136	136
CAPITAL EQUIPMENT	41	2	32	10	10	10	10	10	10
SUBTOTAL STATE OPERATIONS	1,568	1,345	1,505	1,461	1,575	1,575	1,467	1,644	1,644
LOCAL ASSISTANCE	1	1,422							
TOTAL EXPENDITURES	1,569	2,767	1,505	1,461	1,575	1,575	1,467	1,644	1,644
AGENCY PLAN ITEMS:									
			FUND						
REALLOCATIONS FOR SSP IMPLEMENTATION			GEN		72			135	
SERVICE AND SYSTEMS REQUIREMENTS			GEN		42			42	
TOTAL AGENCY PLAN ITEMS					114			177	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,569	2,767	1,505	1,461	1,575	1,575	1,467	1,644	1,644
TOTAL FINANCING	1,569	2,767	1,505	1,461	1,575	1,575	1,467	1,644	1,644
FTE BY EMPLOYMENT TYPE:									
REGULAR	15.5	12.8	13.0		14.0			14.0	
TEMP/SEAS/PART_TIME	1.7	1.0	2.0		1.0			2.0	
OVERTIME	.2	.1	.1		.1			.1	
TOTAL FTE	17.4	13.9	15.1		15.1	15.1		16.1	16.1

1996-97 Biennial Budget

AGENCY: Debt Service

AGENCY DESCRIPTION:

To pay the principal and interest on General Obligation long-term debt.

On December 1 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 December 1 of each year, the Commissioner of Finance shall transfer to the debt service fund from appropriations made for such purposes the amount 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.

	Dollars in Thousands			
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Total Bonds Outstanding:				
Existing Debt on June 30	\$1,772,566	\$1,734,624	\$1,564,039	\$1,411,569
Existing Debt:				
\$ amount of principal payments	\$154,765	\$158,032	\$170,585	\$152,470
\$ amount of interest payments	\$96,913	\$97,874	\$91,407	\$82,340

REVENUES:

This activity generates dedicated and non-dedicated revenue.

	Dollars in Thousands			
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Existing Debt	\$222,963	\$212,890	\$166,074	\$178,716
New Issue/Existing Authorization*	-0-	-0-	64,576	69,817
New Issue/New Authorization	-0-	-0-	562	1,031
Future Issue/Future Authorization	-0-	-0-	-0-	10,597

* Additional bonds will be sold in F.Y. 1995-99

The debt service transfer shown for F.Y. 1996 and F.Y. 1997 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.

Existing Debt: The amount required in the debt service account is calculated by the total amount of principal and interest payments due 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. 1996 and 1997 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 December 1 through 2nd ensuing July 1.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$491,373,000 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.

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1996-97 Biennial Budget

AGENCY: Tort Claims

AGENCY DESCRIPTION:

To pay tort claim judgements against a state agency which cannot be paid from that agency's appropriated accounts.

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 judgment 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.

EXPLANATION OF AGENCY'S 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.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TORT CLAIMS
PROGRAM: FIN MISC NON OPERATING
ACTIVITY: FIN MISC NON OPERATING

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
MISC OPERATING EXPENSES	578	285	1,515	900	900	900	900	900	900
SUBTOTAL STATE OPERATIONS	578	285	1,515	900	900	900	900	900	900
TOTAL EXPENDITURES	578	285	1,515	900	900	900	900	900	900
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	402	16	584	300	300	300	300	300	300
TRUNK HIGHWAY	176	269	931	600	600	600	600	600	600
TOTAL FINANCING	578	285	1,515	900	900	900	900	900	900
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

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. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	1,515	1,515	584	584	931	931		
BASE ADJUSTMENTS								
BIENNIAL APPROPRIATIONS	<615>	<615>	<284>	<284>	<331>	<331>		
SUBTOTAL BASE ADJ.	<615>	<615>	<284>	<284>	<331>	<331>		
CURRENT SPENDING	900	900	300	300	600	600		

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1996-97 Biennial Budget

AGENCY: Contingent Accounts

AGENCY DESCRIPTION:

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.

EXPLANATION OF 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. 1996</u>	<u>F.Y. 1997</u>
<u>General Purpose Contingent Accounts</u>		
General Fund	\$200	\$200
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.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: CONTINGENT ACCOUNTS
PROGRAM: FIN MISC NON OPERATING
ACTIVITY: FIN MISC NON OPERATING

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
OTHER			1,432	875	875	875	875	875	875
SUBTOTAL STATE OPERATIONS			1,432	875	875	875	875	875	875
TOTAL EXPENDITURES			1,432	875	875	875	875	875	875
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL			398	200	200	200	200	200	200
STATE GOVT SPEC REV			184	250	250	250	250	250	250
TRUNK HIGHWAY			400	200	200	200	200	200	200
HGHWY USER TAX DISTR			250	125	125	125	125	125	125
WORKERS COMP SPECIAL			200	100	100	100	100	100	100
TOTAL FINANCING			1,432	875	875	875	875	875	875
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

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. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	1,432	1,432	398	398	1,034	1,034		
BASE ADJUSTMENTS								
BIENNIAL APPROPRIATIONS	<557>	<557>	<198>	<198>	<359>	<359>		
SUBTOTAL BASE ADJ.	<557>	<557>	<198>	<198>	<359>	<359>		
CURRENT SPENDING	875	875	200	200	675	675		

1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF (DOER)

PROGRAM

PAGE

HUMAN RESOURCE MANAGEMENT

F-312

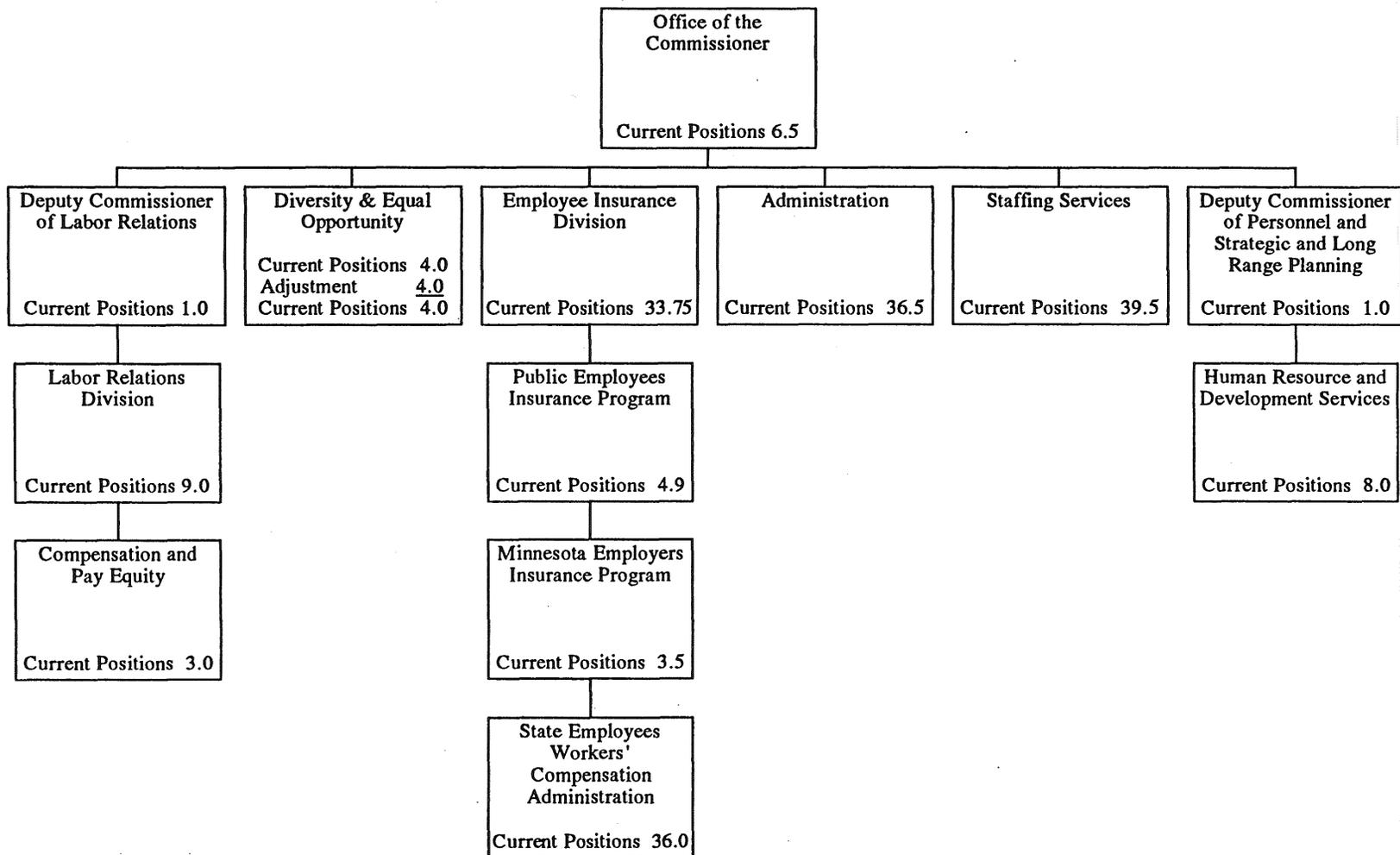
- Administration
- Staffing Services
- Office of Diversity and Equal Opportunity
- Human Resource Development and Services
- Labor Relations and Compensation
- Pay Equity

EMPLOYEE INSURANCE DIVISION

F-318

- State Group Insurance
- State Workers' Compensation
- Public Employees Insurance
- Private Employers Insurance

**Department of Employee Relations
ORGANIZATIONAL CHART as of 9/15/94**



JUNE 30, 1994 FTE EMPLOYEES: 176.8

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Employee Relations, Department of (DOER)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$8,628	\$8,628	\$17,256
<u>BASE ADJUSTMENT:</u>			
Base Transfer (between agencies)	300	300	600
One-time Appropriations	(855)	(855)	(1,710)
Appropriations Carried Forward	(417)	(417)	(834)
Documented Rent/Lease Increase	15	25	40
Attorney General Costs	(9)	(9)	(18)
<u>CURRENT SPENDING</u>	\$7,662	\$7,672	\$15,334
<u>AGENCY DECISION ITEMS:</u>			
Internal Reallocations (Net) (See fiscal pages for list)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>AGENCY PLAN</u>	\$7,662	\$7,672	\$15,334
<u>GOVERNOR'S INITIATIVES:</u>			
Enhance Workforce Diversity	\$300	\$300	\$600
Minnesota Quality College	250	250	500
Human Resource Innovations	<u>650</u>	<u>650</u>	<u>1,300</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$8,862	\$8,872	\$17,734

Brief Explanation of Agency Plan:

The department is making a significant number of reallocations within base level funding among activities within the Human Resources Program to redirect resources where they are most effectively utilized and to reflect workload shifts within the department. Specifically, salary dollars are moving to the Training and Labor Relations functions to fund necessary staffing levels. Data Processing allotments are being consolidated to reflect centralization of this activity within the Administrative Division. Other reallocations shift funds primarily from the Staffing Division to the Information Management and Transaction functions within the Administrative Division.

The Agency Plan is accomplished with no additions or reductions to the overall General Fund base.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency plan, with the following modifications:

- A biennial increase of \$1,300,000 to fund continuation of the Human Resources Innovations project begun in the 1994-95 biennium. This appropriation will maintain efforts to reform the state's performance management and classification systems, development of statewide retraining programs, and improve recruitment and hiring processes.
- A biennial increase of \$600,000 to fund improvements in the Diversity activity such as a Trainee/Internship program for protected class members, more concerted efforts in recruitment and retention of minorities, women, and persons with disabilities, along with more resources to support ADA compliance.
- A biennial increase of \$500,000 to fund the Minnesota Quality College initiative, a program to deliver and facilitate Total Quality Management training services to state and local government personnel, and thereby provide for continuous improvement in the level and quality of government services to the public.
- A one-time transfer of \$2,000,000 from the Public Employees' Insurance account within the Employee Insurance Internal Service Fund to the General Fund in F.Y. 1996.

1996-97 Biennial Budget

AGENCY: Employee Relations, Department of (DOER)

AGENCY DESCRIPTION:

The mission of the Minnesota Department of Employee Relations (DOER) is to provide leadership and partnership in human resource management under M.S. 43.A.

The primary program areas for DOER are human resource management and employee insurance.

The Human Resource Management Program provides services to state agencies which include providing public information concerning state hiring practices and job opportunities; tracking workforce and labor force trends; recruiting, screening and referring qualified applicants to fill vacancies; curriculum development and brokering services to train state employees; providing equal employment opportunities, affirmative action programs, and ensuring incorporation of diverse cultures into all state activities; maintaining a classification framework as a means of determining equitable compensation, negotiating and administering labor-management contracts, and reporting on pay equity compliance for local governments.

The Employee Insurance program includes 5 activities. They are: providing state employees life insurance, hospital, medical and dental benefits; managing state workers' compensation claims; providing cost effective insurance benefits for local units of government and private sector employers, and health promotion programs for the state workforce.

Our stakeholders include: Governor's staff, agency heads, legislature, union representatives, minority councils, agency managers and supervisors, human resource professionals, employees and job applicants.

DOER supports the Minnesota Milestone themes by providing programs to eliminate discrimination and harassment in obtaining and retaining a qualified workforce who serve our citizens and through establishment of the Office of Diversity and Equal Opportunity to promote increased representation of protected group members in our workforce reflective of the population of the state of Minnesota.

AGENCY CHALLENGES:

■ Recruitment and Retention of a Diverse Workforce

Recent demographics show that the makeup of the population is becoming more diverse. As one of the largest employers in Minnesota, it will be critical that our programs refocus on recruiting and retaining protected group members. In order to develop a more inclusive workforce that draws on the talents of Minnesotans.

■ Human Resources Innovations

The recommended changes, brought about by previous studies and surveys, has moved DOER to changing the delivery of our services; streamlining our selection processes; simplifying the classification processes; and implementing a new performance management system. This is a significant challenge for us. It means changing systems and procedures that

have been institutionalized over decades.

■ Health Care Changes

DOER is a purchaser of health care insurance for public employees and some private employers. We strive to produce quality and affordable health care for our clientele. Health care reform at the state and national level will have a significant influence on the program as alliances between physicians, hospitals and payers (HMOs, insurance companies) develop.

■ State Workers' Compensation

Any changes to the state's workers' compensation laws, rules or regulations could have an impact on claims costs. It will be critical that we are responsive to any changes in order to maintain a quality and affordable program.

AGENCY STRATEGIES:

Our budget plan was developed to achieve the following outcomes:

- Improve customer satisfaction with our policy leadership and direction.
- Administer and maintain an equitable classification plan and an effective selection system.
- Increase representation of protected group members in the workforce.
- Support opportunities to maximize the productivity of the state's workforce.
- Improve satisfaction with administration of negotiated bargaining agreements.
- Report on local government compliance with the Local Government Pay Equity Act.
- Purchase quality and affordable health and dental insurance.
- Ensure that state employees work in a safe and healthy work environment.
- Resolve workers' compensation claims effectively and efficiently.

See the annual performance report for Employee Relations, dated September 1994 for agency results and outcomes.

REVENUE SUMMARY:

The DOER budget consists of 2 revenue sources. One is the general fund appropriation for the human resource management program; the other is fee based. Fees are assessed for insurance and workers' compensation. These fees generate \$2,904,000 for insurance administration and \$3,588,000 for workers' compensation administration and claims management. Revenue streams occur in our insurance area and are passed through our trust fund accounts to insurance providers.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF

PROGRAM RESOURCE ALLOCATION:	Est.			FY 1996			FY 1997		
	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
HUMAN RESOURCE MGMT	6,429	6,382	7,676	6,768	6,826	8,026	6,778	6,836	8,036
EMPLOYEE INSURANCE	222,192	233,566	254,362	254,056	254,056	254,056	258,966	258,966	258,966
TOTAL EXPENDITURES BY PROGRAM	228,621	239,948	262,038	260,824	260,882	262,082	265,744	265,802	267,002
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST		35	35						
GENERAL	8,693	7,546	8,628	7,662	7,662	8,862	7,672	7,672	8,872
STATUTORY APPROPRIATIONS:									
GENERAL		1	7						
SPECIAL REVENUE	24,017	22,294	23,540	22,773	22,831	22,831	22,773	22,831	22,831
EMPLOYERS INS TRUST	480	1,151	3,000	3,600	3,600	3,600	5,690	5,690	5,690
EMPLOYEE INS TRUST	191,127	202,131	216,785	216,746	216,746	216,746	219,566	219,566	219,566
AGENCY	4,304	6,790	10,043	10,043	10,043	10,043	10,043	10,043	10,043
TOTAL FINANCING	228,621	239,948	262,038	260,824	260,882	262,082	265,744	265,802	267,002
FTE BY EMPLOYMENT TYPE:									
REGULAR	174.7	168.7	188.3		191.2			191.2	
TEMP/SEAS/PART_TIME	4.3	7.0	5.0		5.5			5.5	
OVERTIME	1.0	1.1	1.1		.7			.7	
TOTAL FTE	180.0	176.8	194.4		197.4	204.4		197.4	204.4

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

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	262,038	262,038	8,635	8,635	253,403	253,403		
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<890>	<890>	<855>	<855>	<35>	<35>		
APPROPRIATIONS CARRIED FWD	<631>	<631>	<417>	<417>	<214>	<214>		
NON-RECURRING EXPENDITURES	<599>	<599>	<7>	<7>	<592>	<592>		
BASE TRANSFER (BTWN AGENCIES)	300	300	300	300				
DED STAT APPROP SPENDING	600	5,510			600	5,510		
DOCUMENTED RENT/LEASE INC/DEC	15	25	15	25				
ATTORNEY GENERAL COSTS	<9>	<9>	<9>	<9>				
SUBTOTAL BASE ADJ.	<1,214>	3,706	<973>	<963>	<241>	4,669		
CURRENT SPENDING	260,824	265,744	7,662	7,672	253,162	258,072		

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1996-97 Biennial Budget

PROGRAM: Human Resource Management
AGENCY: Employee Relations, Department of (DOER)

PROGRAM DESCRIPTION:

Human Resource Management program provides policy and leadership in the areas of recruitment, affirmative action, employee development, classification and compensation, bargaining agreement negotiation and administration.

Administration: This activity provides 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, interpreting the department's policies for state agencies and the public, administering the statewide payroll certification and providing internal personnel, fiscal and general support to the agency.

Staffing: This activity assists state agencies through the examination and non-competitive and qualifying appointment processes to attract and maintain a qualified workforce to accomplish their missions. This includes consultation and direct service in recruiting, screening, assessing, and referring qualified applicants to state managers and supervisors for selection to fill job vacancies. It maintains the state job classification framework and assigns positions to appropriate classes within that framework as a basis for equitable compensation to work of comparable value. Additionally, it provides assistance to state managers and employees in administering the position classification system and employee place/layoff and bumping procedures during workforce reorganizations or retrenchments.

Office of Diversity and Equal Opportunity: This 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 workforce that reflects the diversity of Minnesota's overall labor force.

Human Resource Development: This activity provides coordination and technical assistance to operating agencies on course design and delivery of training services to meet their organization needs; develops curriculum and provides programs to train state trainers and non-training specialists; develops a course catalog; and serves as a resource for requested training solutions.

Labor Relations and Compensation: 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.

Pay Equity: This activity is responsible for reporting to the legislature the number of local government jurisdictions who are in compliance with the Local Government Pay Equity Act.

The issues associated with these activities are:

- Recruitment and retention of protected group members
- Employee development and training
- Effective and efficient selection and classification processes

PROGRAM STATUS:

Currently efforts are underway to develop a recruitment program and training and mentoring programs in order to increase minority and disabled representation in our workforce. We have recently refocused and expanded the program scope in our Equal Opportunity Division to incorporate diverse cultures into all activities of state government.

During this biennium, we have established a Labor Management Committee to address the issues and changes recommended from our strategic planning process and the Commission on Reform and Efficiency. We are currently piloting a new performance management system covering approximately 14,000 state employees.

Our Human Resources Development Services area has changed its services to provide coordination and technical assistance to our customers. We will be developing a course catalog and providing programs to train state trainers and non-training specialists. Joint ventures with other levels of government are currently being explored.

PLANNED RESULTS:

The agency plan is to accomplish the following activities during the next biennium:

- We plan to increase delegated authority to state agency management for administration and maintenance of classification plans. We will change our focus to one of providing agencies with a continuum of services from consulting and resources to providing administrative services as needed. We are also reviewing, in conjunction with the exclusive representatives, ways to enhance and streamline the current civil service systems.
- By the year 2000, we plan that the state of Minnesota executive branch workforce will reflect the composition of the workforce in the entire state. Turnover rates for protected group members will be more in line with turnover rates for non-protected group members.
- Our plan is to increase employee development and training hours to be comparable to the private corporation national average by 1997. Also, by the end of the biennium, to have increased the number of joint ventures with other levels of government and maximize existing resources.

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 \$1,300,000 for Human Resource Innovations, \$600,000 for Expanding State Workforce Diversity Efforts, and \$500,000 for the Minnesota Quality College.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF
PROGRAM: HUMAN RESOURCE MGMT

ACTIVITY RESOURCE ALLOCATION:	Est.			FY 1996			FY 1997		
	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ADMINISTRATION	2,574	3,061	3,828	3,151	3,302	3,952	3,161	3,317	3,967
DIVERSITY	241	197	293	213	166	466	213	167	467
LABOR RELATIONS & COMPENSATION	707	597	737	688	711	711	688	711	711
STAFFING SERVICES	2,217	1,869	2,048	2,011	1,843	1,843	2,011	1,836	1,836
HUMAN RESOURCE DEVELOPMENT	688	483	570	505	604	854	505	605	855
HUMAN RESOURCE NON-OP	2	175	200	200	200	200	200	200	200
TOTAL EXPENDITURES BY ACTIVITY	6,429	6,382	7,676	6,768	6,826	8,026	6,778	6,836	8,036
GOV'S INITIATIVES:			FUND						
(P) HUMAN RESOURCES INNOVATIONS PROJECT			GEN			650			650
(P) STATE DIVERSITY PROJECT			GEN			300			300
(P) MINNESOTA QUALITY COLLEGE			GEN			250			250
TOTAL GOV'S INITIATIVES						1,200			1,200
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST		35	35						
GENERAL	6,305	5,926	7,120	6,254	6,254	7,454	6,264	6,264	7,464
STATUTORY APPROPRIATIONS:									
GENERAL		1	7						
SPECIAL REVENUE	122	244	313	313	371	371	313	371	371
AGENCY	2	176	201	201	201	201	201	201	201
TOTAL FINANCING	6,429	6,382	7,676	6,768	6,826	8,026	6,778	6,836	8,036
FTE BY EMPLOYMENT TYPE:									
REGULAR	100.2	90.4	99.6		102.7			102.7	
TEMP/SEAS/PART_TIME	3.4	5.2	3.2		4.2			4.2	
OVERTIME	.3	.4	.4		.4			.4	
TOTAL FTE	103.9	96.0	103.2		107.3	114.3		107.3	114.3

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F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Human Resource Management
ACTIVITY: Administration

ITEM TITLE: Human Resources Innovation Project

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$650	\$650	\$650	\$650
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$1,300,000 in the 1996-97 biennium to continue improvements begun this biennium to the state's human resource management and development processes.

RATIONALE:

In F.Y. 1993, the CORE Commission recommended fundamental changes to the state's outdated, complex and inefficient classification, hiring, training and performance management systems. The Legislature appropriated \$745,000 in the 1994-95 biennium from the General Fund to the Department of Employee Relations to develop and conduct pilot projects to explore innovative ways to improve the state's human resource system (Laws 1993, Ch 192, Art.1, Sec. 18, Subd. 2).

A Human Resource Innovations Labor-Management Committee (HRILMC) was created, comprised of 10 union and 10 management representatives. The Committee assisted DOER in deciding how to allocate the 1994-95 funds. As a result of Committee efforts and Department leadership, we began implementation of a new performance management process this year. A 2-day training program has been designed and piloted to support the new process, and this program can be customized to fit each agency's unique needs.

Retraining Grants were awarded for 8 pilots selected from 16 proposals submitted by agencies. The grants awarded range from \$10,000 to \$60,000. Savings are to be achieved by averting layoffs and associated costs. It is expected that these pilots will demonstrate that: 1) It costs less to retrain and

retain state employees than it does to lay them off when budgetary or program reductions are in effect; 2) a variety of models for retraining employees at risk of layoff are being tested, with the most successful models to be replicated in other state agencies.

This appropriation will allow DOER to continue training agencies in the new employee performance management process, implement better hiring, retraining and re-deployment processes and improve the state's employment classification system.

In the 1996-97 biennium, DOER believes continuation of the human resource management reform process will yield significant improvements in workforce productivity, efficiency in hiring and re-deployment, and qualitative enhancement of state government services through better performance management and employee development.

PROGRAM OUTCOMES:

DOER conservatively estimates that better performance management skills and practices can resolve or prevent performance problems for 5% of employees statewide. Research estimating the value of improved performance resulting from better human resource management practices suggests that 20% of salary is a good proxy value for the substitution of an effective employee for a poor performer. Hence, approximately 1.0% (20% multiplied by 5%) of all cumulative trained employees' salaries in the year following implementation of the new program constitutes a rough approximation of savings to the state.

It is less expensive to retrain an existing employee for either related or different work in another capacity within state employment than it is to lay that individual off, and commence hiring for new vacancies from scratch. A significant amount of human capital investment is lost each time an otherwise productive employee is laid-off simply because the state's retraining and re-deployment systems are inadequate. A small investment in this area could yield noticeable improvements to the continuity of program service delivery, more efficient utilization of employee development resources, along with better employee morale and productivity. For each layoff avoided, approximately \$15,000 is saved in unemployment and severance costs.

The Department sorely needs to re-evaluate and modernize the state employee classification system over the next 4 years. There are currently over 2,300 job classifications. The system is complex, rigid, and difficult to administer. Current job classifications are structured around levels of authority, number of individuals supervised, and fine distinctions among job functions and required skills. The modern organization is flatter in terms of authority and must be more flexible in responding through use of its human resources to changing circumstances. Employees no longer work so much as individuals on separate, well-defined components of an overall product, but rather as teams, with overlapping and changing tasks, goals and scope of authority.

LONG-TERM IMPACT:

DOER expects this initiative will reduce costs for employee recruitment, hiring and deployment. A more productive, mission-oriented workforce also implies improvements in both human resource efficiency and greater quality of services delivered to the citizens of the state.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Human Resource Management
ACTIVITY: Diversity

ITEM TITLE: Expand and Target State Workforce Diversity Effort

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$300	\$300	\$300	\$300
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$600,000 in F.Y. 1996-97 to enhance the State's Diversity and Equal Opportunity mission within the Department of Employee Relations. Specifically, this appropriation will provide for the following program enhancements:

1. ongoing, full-time, concerted protected group recruitment practices;
2. a protected group trainee/internship and mentoring program;
3. expanded disability recruitment and retention activities and better state coordination of ADA conformity with regard to employment.

RATIONALE:

Recent reports by the Minnesota Planning Agency and the Statewide Affirmative Action Committee, along with recommendations from the Human Resources Innovations Labor-Management Council, each highlight areas requiring improvement in the state's efforts to establish and maintain a workforce truly representative of Minnesota's diverse population.

While DOER has achieved considerable success in establishment of monitoring and compliance processes, and in progressing toward diversity objectives for the state overall, significant under-representation persists for protected classes, especially within the managerial and supervisory ranks.

Turnover rates for minority employees are almost triple those for all state employees. In conjunction with stronger recruitment efforts, a trainee/internship and mentoring program is necessary to help eliminate cultural and other workplace barriers to success for minorities, women, and persons with disabilities.

A statewide trainee/internship program will be established as a partnership among state agencies, unions, schools, colleges and community organization. The trainee portion of the program will be centrally directed, while a parallel mentorship function will be initiated within agencies. Trainee areas of study will be limited to entry-level work in agencies.

Expanded monitoring and compliance efforts will be provided through the services of legal and policy interns. The overall diversity objectives of the state are clearly not being met in some agencies, and more resources are needed to correct problems.

A Diversity Training program will establish a structure to disseminate and institutionalize cultural awareness and zero tolerance policies for bias and sexual harassment within the state employment setting. This portion of the initiative supports all of the other components, and augments efforts in the recruitment, retention, and promotion of protected class members.

PROGRAM OUTCOMES:

Trainee/Internship Program	Pilots in several job classes will be established in the first year. Sixty percent of the trainees will complete their preparation, and 90% of these will obtain regular state jobs. Enrollment of trainees and interns is expected to be 25 in F.Y. 1996, and 40 in F.Y. 1997.
Recruitment	Increased protected group representation in applicant pools will increase participation in agencies at all levels and among bargaining units.
Mentor Program	A prototype mentor program will be developed for agencies' use which can be customized for each organization's specific circumstances and needs. Eight large and 7 small agencies are expected to adopt the program in the next biennium.
Disability	Centralized State coordination of agencies' compliance efforts with the Americans with Disabilities Act of 1990, and the Rehabilitation Act of 1973. Along with providing an improved working environment for affected employees, the state will avoid potential future litigation and awards.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Employee Relation, Department of (DOER)
 PROGRAM: Human Resource Management
 ACTIVITY: Human Resource Development

ITEM TITLE: Minnesota Quality College

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$250	\$250	\$250	\$250
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 43.A

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$500,000 to fund the Minnesota Quality College, a program designed to serve as a "college without walls," delivering and facilitating training of state agency and local government personnel in Total Quality Management principles and methods to improve the services delivered to the citizens of the state.

RATIONALE:

As public organizations experience structural change, public employees will need new tools to help them make and manage quality improvements. The *Minnesota Quality College* will help government agencies and public employees find new ways to:

- Improve government's responsiveness to citizens
- Increase workplace innovation at the employee level
- Increase government service productivity
- Build pride in public service

The goals of the Quality College are twofold:

1. To assure that Minnesota government agencies and public employees statewide have access to and are provided high quality and ongoing training on how to apply the principles of quality improvement in the public sector.

2. To develop and maintain a quality improvement curriculum which provides a base for the continuous improvement of quality skills in Minnesota's public workforce.

This "college without walls" will draw upon a wide range of public and private resources to assure that public employees are receiving the best and most appropriate training to meet their needs and that training and quality support services are available on an ongoing basis. The program will help public agencies to choose among a range of resources and approaches:

- Self-dissemination (train-the-trainer)
- Direct staff agency training delivery (e.g., DOER's Training Division or the Management Analysis Division within the Department of Administration)
- Higher education institutions, such as the University of Minnesota, St. Thomas, etc
- Private consultants or professional training organizations

The *Minnesota Quality College* will be managed by a board made up of public sector quality professionals and public agency customers. The Commissioner of Employee Relations will convene the board, and DOER will also provide staff and organizational support through the Training Division. Customer and supplier advisory groups will be organized to provide ongoing guidance on customer training needs and training resources available.

Many agencies and local government organizations are seeking training on quality management, customer service, continuous organizational and staff improvement. There are almost as many public and private sector providers of training in this area. Funding this proposal will, in the short-run, save agencies from "reinventing the wheel" each time they seek training by providing a ready curriculum and access to tested providers. There is considerable demand at the state and local level for the services a *Quality College* would deliver. The most recent conference sponsored by the Minnesota Quality Initiative (an ad hoc organization comprised of state, local and educational professionals) drew 1,200 attendees, with a waiting list that resources regrettably could not accommodate.

In a period when resources are constrained, technology is ever changing the nature of our work and work processes. As organizations become flatter and more team-driven, policy makers, managers and supervisors and staff can all benefit from the application of quality management principles and methods in the workplace. A greater focus on structuring organizations and the work they do around the goals of customer satisfaction and continuous improvement in the quality of services public employees deliver will have significant and lasting positive impacts for the citizens of the state.

PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

PROGRAM DESCRIPTION:

This program exists to meet the insurance needs of state employees and to administer the state's self-insured workers' compensation program. The program includes the development, administration, and management of the following:

State Group Insurance: It is essential to have a healthy and productive workforce to carry out the responsibilities of state government. Employee insurance benefits are an important part of total employee compensation and attracting and retaining a high-quality workforce. The state group insurance activity manages employee insurance benefits to support the state's goals as an employer and to enhance employee health through wellness programs.

Benefits offered by the program include health, dental, life and disability insurance, and pre-tax spending accounts for dependent care and medical/dental expenses. These benefits are available to executive branch employees and to other organizations authorized to participate including the University of Minnesota, the legislative and judicial branches of state government, and 29 smaller organizations such as legislative commissions, employee credit unions, and state employee unions. The health promotion activity works closely in the development of health plans to require health care providers to develop and implement health promotion programs, and to ensure that prevention and health enhancement are key components of all interactions state employees have with the state's network of health care providers.

Included also in this program is the health promotion activity which works closely in the development of health plans to require health care providers to develop and implement health promotion programs.

State Workers' Compensation: Workers' Compensation benefits for injured state employees are administered by this self-insured program. It is responsible for management of all claims activity including accepting and denying claims, payment of indemnity, rehabilitation, medical, and legal benefits, coordination of rehabilitation and return-to-work activities, and legal representation. It also oversees consulting services in occupational safety, industrial hygiene, and injury prevention. The program contracts with a certified managed care plan to provide a specialized network of health care professionals, utilization management, and medical bill processing. This program covers employees of the executive, legislative and judicial branches of state government, and quasi-state agencies such as the State Fair and Historical Society.

Public Employees Insurance Plan (PEIP): PEIP is available to public employers. The program includes group medical, life insurance, and dental coverage. The health care plan is modeled after the State Employees Group Insurance Program, which allows employee choice and rewards insurers which provide cost-effective care. Agency staff direct the operations to comply with applicable laws, rules, and regulations; provide technical expertise; and oversee marketing administration.

Minnesota Employees Insurance Plan (MEIP): MEIP, in conjunction with insurance reform, is designed to provide a health care alternative for private employers. The program is modeled after

the State Employees Group Insurance Program, which allows employee choice and rewards insurers which provide cost-effective care.

PROGRAM STATUS:

The state group insurance program negotiates for cost-effective and competitive life, hospital, medical, and dental benefits. Current health care reform legislation being considered at the state and national level will have a significant influence on the program.

The workers' compensation activity currently is focusing on the identification and prevention of injury, illness, and disease to reduce the amount of compensation claims.

During this biennium, health promotion grants were allocated to state agencies to supplement their health promotion programs. Studies have shown that effective health promotion programs are a cost-effective approach to enhancing employee's health, reducing work-related injuries, and containing costs.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1994 Annual Report to be accomplished or accelerated as follows:

- By the year 1997 to maintain or increase performance relating to overall health care from the previous year's averages across several measures.
- By the year 1997 to maintain or increase performance relating to overall employees' satisfaction with their health plan in comparison to the previous year's average.
- By the year 1997 to reduce the number of workers' compensation claims by identification and prevention of injury, illness and disease.
- By F.Y. 1995 to increase the agency sites with active health programs to at least 75%. Studies have shown that these programs are a cost-effective approach to reducing work-related injuries and containing costs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. The Governor also recommends that \$2,000,000 in excess reserves in the Public Employees' Insurance Plan account be transferred to the General Fund.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF
PROGRAM: EMPLOYEE INSURANCE

ACTIVITY RESOURCE ALLOCATION:	FY 1993			FY 1994			FY 1995			FY 1996			FY 1997		
	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.
STATE GROUP INSURANCE	2,659	3,521	3,776	3,676	3,676	3,676	3,676	3,676	3,676	3,676	3,676	3,676	3,676	3,676	3,676
PUBLIC EMPLOYEE INSURANCE	423	381	470	470	470	470	470	470	470	470	470	470	470	470	470
MINNESOTA EMPLOYERS' INSURANCE	480	531	621	621	621	621	621	621	621	621	621	621	621	621	621
STATE WORKERS' COMPENSATION	5,903	5,468	6,006	5,792	5,792	5,792	5,792	5,792	5,792	5,792	5,792	5,792	5,792	5,792	5,792
CLAIMS & PREMIUMS (ALL ACTIVITIES)	212,727	223,665	243,489	243,497	243,497	243,497	248,407	248,407	248,407	248,407	248,407	248,407	248,407	248,407	248,407
TOTAL EXPENDITURES BY ACTIVITY	222,192	233,566	254,362	254,056	254,056	254,056	258,966	258,966	258,966	258,966	258,966	258,966	258,966	258,966	258,966
SOURCES OF FINANCING:															
DIRECT APPROPRIATIONS:															
GENERAL	2,388	1,620	1,508	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408
STATUTORY APPROPRIATIONS:															
SPECIAL REVENUE	23,895	22,050	23,227	22,460	22,460	22,460	22,460	22,460	22,460	22,460	22,460	22,460	22,460	22,460	22,460
EMPLOYERS INS TRUST	480	1,151	3,000	3,600	3,600	3,600	5,690	5,690	5,690	5,690	5,690	5,690	5,690	5,690	5,690
EMPLOYEE INS TRUST	191,127	202,131	216,785	216,746	216,746	216,746	219,566	219,566	219,566	219,566	219,566	219,566	219,566	219,566	219,566
AGENCY	4,302	6,614	9,842	9,842	9,842	9,842	9,842	9,842	9,842	9,842	9,842	9,842	9,842	9,842	9,842
TOTAL FINANCING	222,192	233,566	254,362	254,056	254,056	254,056	258,966	258,966	258,966	258,966	258,966	258,966	258,966	258,966	258,966
FTE BY EMPLOYMENT TYPE:															
REGULAR	74.5	78.3	88.7		88.5								88.5		
TEMP/SEAS/PART_TIME	.9	1.8	1.8		1.3								1.3		
OVERTIME	.7	.7	.7		.3								.3		
TOTAL FTE	76.1	80.8	91.2		90.1		90.1						90.1		90.1

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F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Employee Insurance
ACTIVITY: Public Employees' Insurance Plan
ITEM TITLE: Transfer excess reserves to General Fund

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Transfers Out: (\$000s)				
Employee Insurance Trust				
- Excess Reserves	\$ (2,000)	\$ 0-	\$ 0-	\$ 0-
Transfers In: (\$000s)				
General Fund				
- Revenue	\$ 2,000	\$ 0-	\$ 0-	\$ 0-

Statutory Change? Yes No

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$2,000,000 in excess reserves be transferred from the Public Employees' Insurance Plan (PEIP) account within the Employee Insurance Trust Fund to the General Fund in F.Y. 1996. These funds are to be reallocated to help fund one-time costs as part of the Governor's overall Welfare Reform Package.

RATIONALE:

PEIP provides group medical, life insurance and dental coverage. The plan is modeled after the State Employees Group Insurance Program, which allows employee choice and rewards insurers that provide cost-effective care. The program was created to pool purchasing power of small public employers in the state, and to merge small public employee groups into larger, more stable risk pools (which stabilizes and lowers premia). Enrollment at the close of F.Y. 1994 was 2,561.

From 1990 through 1994, annual excess Police State Aid collections by the Public Employees' Retirement Association (PERA), about \$2,000,000, were deposited in the PEIP account within the Department of Employee Relations. The cumulative total subsidy over the period was \$9,130,000. Those funds are no longer being allocated to the plan each year, since the subsidy has been discontinued. Beginning in F.Y. 1995, the first \$1,000,000 in excess Police State Aid collections by PERA each year is to fund the ambulance service retirement plan established in M.S. 144C.03, with the balance of collections (approx. \$1,000,000) then cancelling to the General Fund.

The entire excess reserve amount in the PEIP Plan is attributable to the subsidies granted during the period 1990-94. Therefore, any distribution of those excess reserves should be done in the form of a transfer to the General Fund, since it is from the General Fund that the Police State Aid payments to local governments originate.

The Departments of Finance and DOER estimate that reserves are currently \$2,000,000 above actuarial requirements, and these funds are available for distribution. The Governor, therefore recommends a one-time transfer of this amount to free up scarce resources and reallocate the current excess reserves toward more urgent uses.

LONG-TERM IMPACT:

None. This reduction should correct the current imbalance in the Plan, but will leave the program with sufficient reserves to operate, meet all liabilities, and expand enrollments.

1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: REVENUE, DEPARTMENT OF

PROGRAM

PAGE

MINNESOTA TAX SYSTEM MANAGEMENT

F-322

Income Tax System

Sales and Special Taxes System

Property Tax and State Aid System

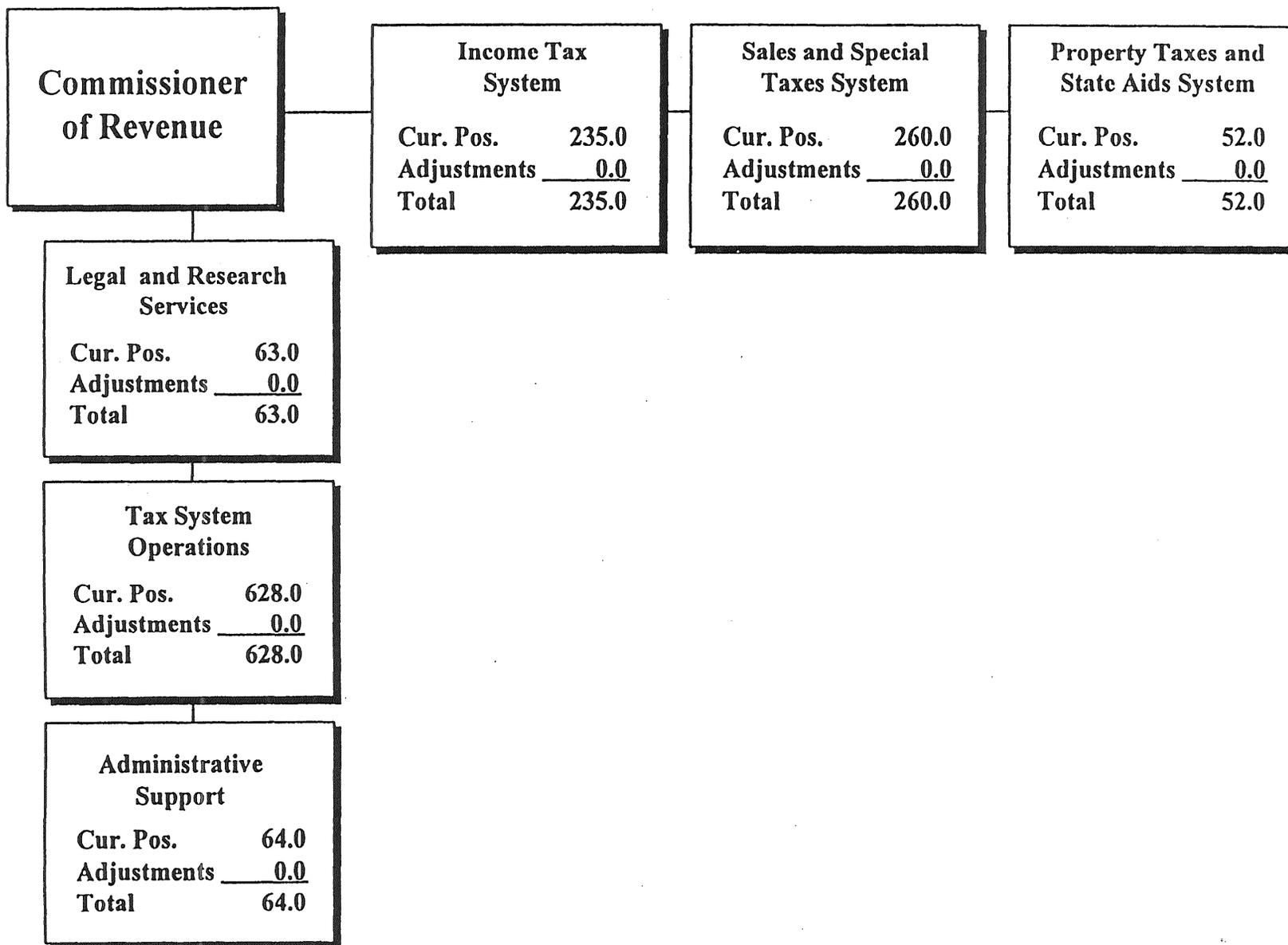
Tax Operations

Legal and Research

Administrative Support

Department of Revenue

Organization Chart - 7/1/94



June 30, 1994 FTE Employees: 1,302

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of

Fund: Local Government Trust Fund

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$403	\$403	\$806
<u>BASE ADJUSTMENT:</u>			
Carried Forward from F.Y. 1994	(77)	(77)	(154)
Base Transfer	<u>0</u>	<u>(326)</u>	<u>(326)</u>
<u>CURRENT SPENDING</u>	\$326	\$0	\$326
<u>AGENCY DECISION ITEMS:</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>AGENCY PLAN</u>	\$326	\$0	\$326
<u>GOVERNOR'S INITIATIVES:</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GOVERNOR'S RECOMMENDATIONS	\$326	\$0	\$326

Brief Explanation of Agency Plan:

- For F.Y. 1997, the plan includes a transfer of \$326,000 from the Local Government Trust Fund (LGTF) to the general operating fund due the elimination of the LGTF (1994 Omnibus Tax Bill - Ch. 587, Art. 3, Sec. 20).

Revenue Summary:

No impact on revenue is anticipated.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency plan.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$77,367	\$77,367	\$154,734
<u>BASE ADJUSTMENT:</u>			
One-Time Appropriations	(171)	(171)	(341)
Carried Forward from F.Y. 1994	(2,550)	(2,550)	(5,100)
Sunset Program/Agency	(2,167)	(2,167)	(4,334)
Base Transfer from LGTF	0	326	326
Documented Rent/Lease Inc	671	1,087	1,758
Base Transfer to Attorney General	<u>(296)</u>	<u>(296)</u>	<u>(592)</u>
<u>CURRENT SPENDING</u>	\$72,854	\$73,596	\$146,450
<u>AGENCY DECISION ITEMS:</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>AGENCY PLAN</u>	\$72,854	\$73,596	\$146,450
<u>GOVERNOR'S INITIATIVES:</u>			
Business Process Investment	<u>\$1,912</u>	<u>\$160</u>	<u>\$2,072</u>
GOVERNOR'S RECOMMENDATIONS	\$74,766	\$73,756	\$148,522

Brief Explanation of Agency Plan:

- The budget is decreased by \$171,000 to reflect the agency's completion of the tasks associated with 1994 Omnibus Tax Bill (Ch. 587, Art. 12, Sec. 23) funding.
- Carry forward adjustments from F.Y. 1994 include \$210,000 for agency operating fund; \$217,000 for 1993 Omnibus fund; and \$2,123,000 for Minnesota Collection Entity (MCE) and accounts receivable (A/R) special funds financed by the Department of Finance (DOF).
- The sunset program adjustment relates to the MCE project financed by DOF.

- For F.Y. 1997, the plan includes a transfer of \$326,000 from the Local Government Trust Fund (LGTF) to the general operating fund due to the elimination of the LGTF (1994 Omnibus Tax Bill - Ch. 587, Art. 3, Sec. 20).

- The plan includes rent increases of \$671,000 for F.Y. 1996 and \$1,087,000 for F.Y. 1997.

- The plan includes a transfer of \$296,000 from this agency's base to the Attorney General budget.

Revenue Summary:

No impact on revenue is anticipated.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustment: an initiative to develop an automated system for filing and remittance processing. The Governor's initiative provides funding of \$1,912,000 for F.Y. 1996 and \$160,000 for F.Y. 1997.

The automated system will replace many paper-constrained processing systems for filing and paying, and will reduce errors and delays introduced by manual handling and processing.

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

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of

Fund: Health Care Access

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$1,800	\$1,800	\$3,600
<u>BASE ADJUSTMENT:</u>			
Carried Forward from F.Y. 1994	(431)	(431)	(862)
Documented Rent/Lease Inc	<u>6</u>	<u>12</u>	<u>18</u>
<u>CURRENT SPENDING</u>	\$1,375	\$1,381	\$2,756
<u>AGENCY DECISION ITEMS:</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>AGENCY PLAN</u>	\$1,375	\$1,381	\$2,756
<u>GOVERNOR'S INITIATIVES:</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GOVERNOR'S RECOMMENDATIONS	\$1,375	\$1,381	\$2,756

Brief Explanation of Agency Plan:

- The plan includes rent increases of \$6,000 for F.Y. 1996 and \$12,000 for F.Y. 1997.

Revenue Summary:

No impact on revenue is anticipated.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency plan.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of

Fund: Highway User Tax Distribution

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$1,718	\$1,718	\$3,436
<u>BASE ADJUSTMENT:</u>			
Carried Forward from F.Y. 1994	(42)	(42)	(84)
Documented Rent/Lease Inc	<u>6</u>	<u>11</u>	<u>17</u>
<u>CURRENT SPENDING</u>	\$1,682	\$1,687	\$3,369
<u>AGENCY DECISION ITEMS:</u>			
	<u>0</u>	<u>0</u>	<u>0</u>
<u>AGENCY PLAN</u>	\$1,682	\$1,687	\$3,369
<u>GOVERNOR'S INITIATIVES:</u>			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GOVERNOR'S RECOMMENDATIONS	\$1,682	\$1,687	\$3,369

Brief Explanation of Agency Plan:

- The plan includes rent increases totaling \$17,000 for the biennium.

Revenue Summary:

No impact on revenue is anticipated.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency plan.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of

Fund: Environmental

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$92	\$92	\$184
<u>BASE ADJUSTMENT:</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>CURRENT SPENDING</u>	\$92	\$92	\$184
<u>AGENCY DECISION ITEMS:</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>AGENCY PLAN</u>	\$92	\$92	\$184
<u>GOVERNOR'S INITIATIVES:</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GOVERNOR'S RECOMMENDATIONS	\$92	\$92	\$184

Brief Explanation of Agency Plan:

No funding changes.

Revenue Summary:

No impact on revenue is anticipated.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency plan.

AGENCY: Revenue, Department of

AGENCY DESCRIPTION:

The Minnesota Department of Revenue's mission is to win taxpayer compliance with Minnesota's tax system.

The department budget is organized into 6 areas. The budget areas are associated with 3 principal tax systems and 3 tax system support areas.

Tax Systems:

1. Income Tax System
2. Sales and Special Taxes System
3. Property Tax and State Aid System

Tax System Support Areas:

4. Tax Operations
5. Legal and Research
6. Administrative Support

Our vision for the Department of Revenue is closely tied to 2 of the vision statements set forth in the 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 tax 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.

AGENCY CHALLENGES:

In developing our policies and strategies for the future, we anticipate the following challenges.

- *Changing profile of individual and business taxpayers.* Costs of taxpayer mobility on service, compliance and administration: increasingly, people work in one state and live in another, or live in more than one location; many corporations and businesses provide goods and services in many states and/or countries. The steady growth of our over-65 population, our increasingly diverse population, and the greater variety in family composition are some of the demographic changes that must be considered.
- *Changes in technology.* Increasingly, financial transactions will be made electronically, and records of the transactions will be processed, stored and retrieved electronically. We will continue to integrate new technology relating to electronic payment and filing into our operations. In addition, we will need to replace outdated computer systems and develop new ways to audit electronic filing and payment systems. Electronic filing and payment systems will decrease the time required for processing and recording taxpayer transactions. As a result,

information will be available sooner to department employees, taxpayers and policy makers, and processing costs will be reduced over the long term. In developing computer systems, using new technology will require continual upgrading of existing computer hardware.

- *Complex tax system.* Citizen participation in government is impeded by the complexities of the current tax system and the methods by which local government services are financed. The department needs to continue to work in close cooperation with tax policy makers and local units of government to develop ways to increase understandability, accountability and efficiency in the state's tax system.
- *Pending court cases.* Court cases in Minnesota, other states, or at the federal level, can greatly add to the burden of administering the tax system. Court decisions that are contrary to our interpretation of the law or that find a tax statute unconstitutional often require that we seek corrective legislation; draft rules clarifying our position; address additional appeals resulting from the decision; correct forms and instructions; and process refund claims based on the decision. For example, in "Cambridge Bank v. The Commissioner of Revenue," the U.S. Supreme Court found a provision of our tax law unconstitutional. The department is required to audit and process approximately 5,000 refund applications with potential refunds of several hundred million dollars.
- *Changes in the role and funding of government.* The changing economic climate and taxpayer resentment about large and complex public service systems and institutions are bringing the performance of government under greater scrutiny. At the same time, those forces are generating creative and unconventional arrangements for delivery of public services. Taxpayers 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 burden and overall state costs.* 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, while 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 changes may require seed money for systems changes and information sharing, but hold promise for streamlining taxpayer services and holding costs down.
- *Statewide Systems Project (SSP).* The Department of Revenue is combining the implementation of the financial systems applications developed by SSP with the design of new department management information systems, and the redesign of business processes. Major budgetary impacts could be experienced in the areas of training, equipment, data analysis, and staffing. Additional expenses may be realized as the Department of Finance begins to assess transaction costs after the first year.

AGENCY: Revenue, Department of
(Continuation)

AGENCY STRATEGIES:

The strength of the state's tax system depends on taxpayers voluntarily complying with the tax laws. In administering this system, the department is responsible for supporting both taxpayers and the Minnesota Tax System itself. To do so, we have identified a five-stage "winning compliance cycle," common to all tax systems, that begins with sound policy and includes education, service, feedback, and progressive enforcement:

1. We work to develop sound tax policy, based on principles of fairness, efficiency, reliability, competitiveness, and understandability.
2. We educate taxpayers about their obligations and rights under the state's tax laws, and the consequences of non-compliance.
3. We serve our customers--taxpayers--to help them comply with the tax laws by providing understandable, accurate and timely forms and instructions; responding promptly to taxpayer questions; processing taxpayer transactions timely, efficiently and accurately; maintaining taxpayer records; and promptly depositing tax payments.
4. We give feedback to taxpayers through auditing and other means on how well they are complying with their tax obligations. We also develop and share information on the extent of compliance and on the performance of the Minnesota Tax System.
5. We use progressively tougher enforcement measures as necessary when taxpayers fail to meet their obligations to accurately file and pay, individually tailoring our response as much as possible.

REVENUE SUMMARY:

All funds in the budget are appropriated by the legislature.

SUMMARY OF BUDGET REQUEST:

- The budget plan includes \$6,217,684 (\$3,108,842 for each fiscal year) for 1993 legislative initiatives funding from the general operating fund.
- For F.Y. 1997, the plan includes a transfer of \$326,000 from the Local Government Trust Fund (LGTF) to the general operating fund.
- The plan includes rent expense increases of \$683,000 for F.Y. 1996 and \$1,110,000 for F.Y. 1997.
- The plan includes a transfer of \$296,000 from our base funding to the Attorney General budget.

- The budget is decreased by \$171,000 to reflect the agency's completion of the tasks associated with 1994 Omnibus Tax Bill (Ch. 587, Sec. 23) funding.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustment: an initiative to develop an automated system for filing and remittance processing. The Governor's initiative provides funding of \$1,912,000 for F.Y. 1996 and \$160,000 for F.Y. 1997.

The automated system will replace many paper-constrained processing systems for filing and paying, and will reduce errors and delays introduced by manual handling and processing.

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

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MINN TAX SYSTEM MGMT	75,269	76,898	83,848	78,217	78,217	80,129	78,644	78,644	78,804
TOTAL EXPENDITURES BY PROGRAM	75,269	76,898	83,848	78,217	78,217	80,129	78,644	78,644	78,804
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	534	249	403	326	326	326			
GENERAL	70,430	71,463	77,367	72,854	72,854	74,766	73,596	73,596	73,756
HEALTH CARE ACCESS	367	1,157	1,800	1,375	1,375	1,375	1,381	1,381	1,381
HGHMY USER TAX DISTR	1,715	1,631	1,718	1,682	1,682	1,682	1,687	1,687	1,687
ENVIRONMENTAL	44	91	92	92	92	92	92	92	92
METRO LANDFILL CONTN	45								
OPEN APPROPRIATIONS:									
GENERAL	1,446	452	1,100	1,100	1,100	1,100	1,100	1,100	1,100
STATUTORY APPROPRIATIONS:									
GENERAL	181	1,471	780	200	200	200	200	200	200
SPECIAL REVENUE	458	355	538	538	538	538	538	538	538
FEDERAL	49	29	50	50	50	50	50	50	50
TOTAL FINANCING	75,269	76,898	83,848	78,217	78,217	80,129	78,644	78,644	78,804
FTE BY EMPLOYMENT TYPE:									
REGULAR	976.0	1,158.6	1,163.8		1,163.8			1,163.8	
TEMP/SEAS/PART_TIME	161.9	139.6	136.5		136.5			136.5	
OVERTIME	5.5	6.2	6.1		6.1			6.1	
TOTAL FTE	1,143.4	1,304.4	1,306.4		1,306.4	1,313.9		1,306.4	1,308.0

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. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	83,848	83,848	79,247	79,247	4,551	4,551	50	50
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<171>	<171>	<171>	<171>				
APPROPRIATIONS CARRIED FWD	<3,100>	<3,100>	<2,550>	<2,550>	<550>	<550>		
SUNSET PROGRAM/AGENCY	<2,747>	<2,747>	<2,747>	<2,747>				
BASE TRANSFER (BTWN FUNDS)				326		<326>		
DOCUMENTED RENT/LEASE INC/DEC	683	1,110	671	1,087	12	23		
ATTORNEY GENERAL COSTS	<296>	<296>	<296>	<296>				
SUBTOTAL BASE ADJ.	<5,631>	<5,204>	<5,093>	<4,351>	<538>	<853>		
CURRENT SPENDING	78,217	78,644	74,154	74,896	4,013	3,698	50	50

1996-97 Biennial Budget

PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of

PROGRAM DESCRIPTION:

Minnesota Tax System Management is composed of 3 tax systems: Income, Sales and Property. The income tax system include taxes on individuals, corporations, payroll, small businesses, partnerships, fiduciaries, estates, limited liability companies, and refunds. The sales tax system includes sales and use taxes, petroleum tax, special taxes, and MinnesotaCare. The property tax system includes property tax and the state aid program. The Department of Revenue (DOR) managed over 150 separate taxes during F.Y. 1994. Also during F.Y. 1994, the income tax system served over 3 million taxpayers; the sales tax system served close to 200,000 businesses that collect the tax on behalf of the state; and the property tax system served over 4,800 county, city, town, school district and special taxing districts.

The tax systems are supported by collections, communications, computer systems support, document processing, revenue accounting, taxpayer registration, maintenance and security of taxpayer records (both paper and electronic), legal services, tax research, and administrative support.

In addition to St. Paul, the DOR has offices in 18 regional sites located throughout Minnesota and 8 out-of-state offices located in Chicago, Cleveland, Dallas, Los Angeles, New York, St. Louis, San Francisco and Washington.

This program encompasses all areas of the compliance cycle. To start the cycle, tax laws and current policy are analyzed to define taxpayer obligations and rights. Forms, instructions and other informational material are created to educate taxpayers about their obligations. Taxpayer inquiries, correspondence and payments are processed, edited and stored. Audit activities provide the taxpayer with feedback on whether or not tax obligations are being met. And, collection and non-filer activities are performed on non-compliant taxpayers.

The issues associated with tax system management:

- *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. Many 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 legal challenges.* Businesses are more aggressively challenging state tax laws. The department must continually seek to clarify existing laws, rules, and regulations, and develop new ones that are clear and unambiguous. Many of these new tax law challenges are coming from businesses seeking to minimize their tax burdens.
- *Increased complexity of 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 than broad-based general taxes.

- *Customer Service.* The *revenue representative* concept currently being implemented by the DOR will enhance customer service by providing improved taxpayer service for all types of needs for information, assistance, and feedback.
- *Technology.* Offering our taxpayers the latest methods for filing, paying and getting information puts a strain on departmental resources and adds to our concern for effective taxpayer service. Although electronic funds transfer and electronic filing have the potential for improving efficiency in the department, many taxpayers are unable or unwilling to jump into the technological age. The department, therefore, must maintain two separate systems for filing and paying--the traditional paper-based system and the modern electronic system.
- *Compliance Research.* The level of voluntary compliance has a profound effect on departmental efficiency and tax collection. Although most taxpayers pay their taxes voluntarily, a substantial amount of revenue is lost to the state each year because of willful tax evasion--over \$300 million in income taxes alone. Much of this tax cannot be collected by traditional auditing methods, which are expensive at best. Therefore, the department is developing a research program to test methods for improving voluntary compliance.

PROGRAM STATUS:

All of the tax system activities interact in a cyclical relationship in order to maximize tax compliance so that state and local government services are funded.

The purpose of the winning compliance cycle is to achieve the following outcomes, which we believe are essential to winning compliance:

1. **The tax system:** The tax system is fair, efficient, reliable, competitive, and understandable in structure and operation.
2. **Compliance:** Taxpayers are 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 with minimal taxpayer burden.
4. **Customer service:** Our customers' needs are identified and met.
5. **Confidence in the tax system:** Citizens and their elected representatives have confidence in and an understanding of Minnesota's tax system.

PLANNED RESULTS:

The agency budget plan will enable the reported performance measures from the 1994 Annual Performance Report to be accomplished or accelerated as follows:

- Increase the percentage of taxpayers filing timely with full payment.

PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of
(Continuation)

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

- Increase the percentage of delinquent taxes that are collected.
- Increase the percentage of taxes paid using electronic funds transfer (EFT).
- Reduce taxpayer filing errors by improving taxpayer education through better services, forms and information.
- Increase the number of non-filers discovered and the percentage who file in the next year.
- Continue tax compliance research to determine what agency actions increase voluntary compliance.

BUDGET AND REVENUE SUMMARY:

- Reallocate funds necessary to implement the Statewide Systems Project (SSP) computer systems for human resource, procurement and accounting; and, in order to leverage SSP implementation at the Department of Revenue, design management information systems and redesign related business processes.
- Increase our compliance research activities to better understand the nature and scope of non-compliance.
- Reallocate funds for service improvements relating to withholding tax. Continue to work with federal and state agencies to streamline wage reporting, filing and paying into one nationwide data base.
- Improve taxpayer service in the sales tax area by providing information tailored to needs of taxpayer groups and, in general, enter into partnerships with state agencies and local governments to reduce duplication of functions, information gathering, and reporting.
- Refine current electronic funds transfer and electronic filing systems to increase taxpayer availability, efficiency, accuracy and speed, and to decrease costs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for the following adjustment: an initiative to develop an automated system for filing and remittance processing. The Governor's initiative provides funding of \$1,912,000 for F.Y 1996 and \$160,000 for F.Y. 1997.

The automated system will replace many paper-constrained processing systems for filing and paying, and will reduce errors and delays introduced by manual handling and processing.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: MINN TAX SYSTEM MGMT

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
INCOME TAX SYSTEM	9,820	10,937	11,704	11,502	11,502	11,502	11,502	11,502	11,502
SALES TAX SYSTEM	16,296	14,017	15,359	14,582	14,582	14,582	14,593	14,593	14,593
PROPERTY TAX SYSTEM	3,118	3,033	2,938	2,880	2,880	2,880	2,880	2,880	2,880
TAX SYSTEMS OPERATIONS	32,656	35,506	38,960	33,991	33,991	35,903	33,991	33,991	34,151
LEGAL & RESEARCH SERVICES	3,734	3,678	4,127	3,831	3,831	3,831	3,831	3,831	3,831
ADMINISTRATIVE SUPPORT	9,645	9,727	10,760	11,431	11,431	11,431	11,847	11,847	11,847
TOTAL EXPENDITURES BY ACTIVITY	75,269	76,898	83,848	78,217	78,217	80,129	78,644	78,644	78,804
GOV'S INITIATIVES:									
			FUND						
(A) BUSINESS PROCESS INVESTMENTS			GEN			1,912			160
TOTAL GOV'S INITIATIVES						1,912			160
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	534	249	403	326	326	326			
GENERAL	70,430	71,463	77,367	72,854	72,854	74,766	73,596	73,596	73,756
HEALTH CARE ACCESS	367	1,157	1,800	1,375	1,375	1,375	1,381	1,381	1,381
HGHWY USER TAX DISTR	1,715	1,631	1,718	1,682	1,682	1,682	1,687	1,687	1,687
ENVIRONMENTAL	44	91	92	92	92	92	92	92	92
METRO LANDFILL CONTN	45								
OPEN APPROPRIATIONS:									
GENERAL	1,446	452	1,100	1,100	1,100	1,100	1,100	1,100	1,100
STATUTORY APPROPRIATIONS:									
GENERAL	181	1,471	780	200	200	200	200	200	200
SPECIAL REVENUE	458	355	538	538	538	538	538	538	538
FEDERAL	49	29	50	50	50	50	50	50	50
TOTAL FINANCING	75,269	76,898	83,848	78,217	78,217	80,129	78,644	78,644	78,804
FTE BY EMPLOYMENT TYPE:									
REGULAR	976.0	1,158.6	1,163.8		1,163.8			1,163.8	

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: MINN TAX SYSTEM MGMT

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TEMP/SEAS/PART_TIME	161.9	139.6	136.5		136.5		136.5		
OVERTIME	5.5	6.2	6.1		6.1		6.1		
TOTAL FTE	1,143.4	1,304.4	1,306.4		1,306.4	1,313.9	1,306.4	1,308.0	

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1996-97 Biennial Budget

BUDGET ACTIVITY: Income Tax System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of

ACTIVITY DESCRIPTION:

The Income Tax System administers the taxes associated with individual income, corporate income, withholding, small business, partnership, fiduciary, estate, and limited liability companies. Refund administration for property taxes and political contributions is also part of this system. The Income Tax System activities work to influence sound tax law; educate the taxpayers as to their obligations; provide services to help them meet those obligations; provide feedback on how they are doing in meeting their obligations; and punish those who choose not to comply.

This activity consists of 4 divisions: Individual Income Tax, Corporate Franchise Tax, Withholding Tax, and Other Business Income Taxes. This activity serves over 3.1 million taxpayers annually (2.1 million are individual income tax filers). Property tax refunds exceed \$162 million.

BUDGET ISSUES:

The Income Tax System has made major improvements in its response to telephone calls for individual income tax and property tax refund assistance. This has happened without any major drop in revenue production. The assumption is that this activity will retain its funding to enable the current levels of customer service and revenue production to continue and to be further improved. The withholding tax function will be the focus of the next round of service improvements.

- *Withholding Tax.* The withholding tax in Minnesota requires a thorough review of the customers' needs, the current policies, the allocation of resources, the business practices, and the supporting information systems. In addition, the Department of Revenue is participating in a major national effort where federal and state agencies are working together to reduce the frequency of customer filing and the reporting and payment burdens. The Internal Revenue Service, Social Security Administration, and state employment tax agencies will work to streamline wage reporting, filing and paying into one nationwide data base. This effort at simplification will make withholding easier for employers and numerous government agencies administering payroll-based taxes.
- This budget does not anticipate significant tax systems changes resulting from national health care financed by an employer tax, or separation of state tax policy from federal policy.
- *Income Tax Compliance Research.* The primary objective of the compliance research is to measure the relative effectiveness of audits, taxpayer services and other department activities on the level of voluntary compliance. By comparing the benefit-cost ratios for different activities, the department will be able to guide the allocation of compliance dollars.

REVENUE:

This activity generates non-dedicated receipts from individual income tax payments, corporate income tax payments and individual income tax withholding.

		<u>Dollars in Thousands</u>				
		<u>F.Y. 1993</u>	<u>F.Y. 1994*</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Individual Income Tax:						
Withholding		\$2,899,719	\$3,086,726			
Estimated		599,909	582,024			
Tax Payments		368,320	331,386			
Tax Refunds		(396,565)	(458,906)			
Estate Tax		19,769	43,193			
Corporation Income Tax		509,534	552,026			
Type of Revenue:						
Non-dedicated - Gen'l		4,000,686	4,136,449			
Non-dedicated - State Gov't						
Dedicated - Special						
Dedicated - Federal						
Total		\$4,000,686	\$4,136,449			

* F.Y. 1994 data is preliminary.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: MINN TAX SYSTEM MGMT
ACTIVITY: INCOME TAX SYSTEM

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	8,562	9,625	10,397	10,397	10,397	10,397	10,397	10,397	10,397
EXPENSES/CONTRACTUAL SRVCS	322	262	284	284	284	284	284	284	284
MISC OPERATING EXPENSES	785	400	568	568	568	568	568	568	568
SUPPLIES/MATERIALS/PARTS	82	45	290	109	109	109	109	109	109
CAPITAL EQUIPMENT	69	605	165	144	144	144	144	144	144
SUBTOTAL STATE OPERATIONS	9,820	10,937	11,704	11,502	11,502	11,502	11,502	11,502	11,502
TOTAL EXPENDITURES	9,820	10,937	11,704	11,502	11,502	11,502	11,502	11,502	11,502
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	9,820	10,937	11,704	11,502	11,502	11,502	11,502	11,502	11,502
TOTAL FINANCING	9,820	10,937	11,704	11,502	11,502	11,502	11,502	11,502	11,502
FTE BY EMPLOYMENT TYPE:									
REGULAR	184.9	235.9	239.0		239.0			239.0	
TEMP/SEAS/PART_TIME	2.9								
OVERTIME	.2								
TOTAL FTE	188.0	235.9	239.0		239.0	239.0		239.0	239.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Sales and Special Taxes System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of

ACTIVITY DESCRIPTION:

The Sales and Special Taxes System strives to win compliance from taxpayers required to pay the state sales and use tax; petroleum taxes; taxes on tobacco, liquor, wine and beer, on solid and hazardous waste, on lawful gambling activities, on receipts from insurance premiums; and the MinnesotaCare tax on gross receipts from providing health care services.

This activity consists of 4 divisions: Sales and Use Tax, Special Taxes, MinnesotaCare, and Petroleum Tax. Together, these four divisions are responsible for serving about 200,000 taxpayers and for administering over 20 unique taxes, fees and regulatory statutes.

This activity seeks to gain compliance from the taxpayers by providing them--in a positive and supportive manner--with the means to fulfill their tax obligations. To achieve this goal, the activity follows the five-stage "winning compliance cycle" (see AGENCY STRATEGIES, p. 3).

BUDGET ISSUES:

The activity's budget assumes that its funding will remain the same as in prior years. As a result, any additional costs due to performing added or expanded tasks and any increased costs due to inflation will have to be made up through a reduction in all types of activities.

With the funds available, this activity plans to:

- develop new computer systems or modify existing systems to enable more taxpayers to file and pay taxes electronically and to increase the speed of the transactions, reduce the cost of making the transactions and make the information from the transactions available sooner. In developing computer systems, the activity will be making use of new technology which will require the continual upgrading of existing computers to make effective use of the new technology;
- reduce the substantial number of busy signals received by taxpayers inquiring by telephone about the state's sales and use tax law;
- provide information tailored to the needs of groups of taxpayers to enhance understandability and compliance with tax laws;
- coordinate more closely with other state agencies on the collection of data relating to lawful gambling, solid and hazardous waste, and health-care financing, which may require the collection and data entry of information unrelated to the payment of taxes;
- explore ways to simplify the state's tax laws and remove unnecessary reporting requirements to make it easier for taxpayers to fulfill their obligations;
- make increasing use of informational visits and self-audit projects to provide taxpayers with feedback on how well they are fulfilling their obligations; and

- devise more effective means to identify taxpayers that are trying to comply but do not have the appropriate information and those who choose not to comply so we can select the proper winning compliance strategies to bring them into compliance.

The above actions are designed to improve compliance with the tax laws over the long term. The funding of these actions--together with the need to cover the cost of inflation--will reduce our ability to perform:

- on-premise audits of taxpayer records, and
- identification of nonfilers.

In the short run, we anticipate a reduction in dollars collected through on-premise audits and nonfiler identification to be offset by the gain in voluntary compliance achieved through the increase in the service-related actions described above.

REVENUE:

This activity generates non-dedicated and dedicated revenue.

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994*	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated Revenue:					
Sales and Use	\$1,625,041	\$1,727,649			
Cigarette	149,612	157,137			
Insurance Premiums	135,882	146,487			
Mortgage Registration	48,048	63,335			
Lawful Gambling	57,208	56,710			
Alcoholic Beverage	55,187	56,146			
Deed	32,680	38,817			
Tobacco Products	8,423	9,456			
Motor Vehicle Lease	6,274	6,500			
Telephone Gross Earnings	(52)	269			
Controlled Substances	206	202			
Dedicated Revenue:					
Sales and Use	753,442	792,049			
Motor Fuels Excise	469,555	487,111			
Health Care Providers	11,884	57,313			
Cigarette	26,189	18,449			
Solid Waste Landfill Fee	2,839	2,191			
Hazardous Waste	401	507			
Type of Revenue:					
Non-dedicated - Gen'l	2,118,509	2,259,708			
Non-dedicated - State Gov't					
Dedicated - Special	1,264,310	1,357,620			
Dedicated - Federal					
Total	\$3,382,819	\$3,617,328			

* F.Y. 1994 data is preliminary.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: MINN TAX SYSTEM MGMT
ACTIVITY: SALES TAX SYSTEM

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	10,239	10,511	12,171	12,171	12,171	12,171	12,171	12,171	12,171
EXPENSES/CONTRACTUAL SRVCS	3,296	1,258	1,110	1,017	1,017	1,017	1,028	1,028	1,028
MISC OPERATING EXPENSES	747	827	855	855	855	855	855	855	855
SUPPLIES/MATERIALS/PARTS	455	539	189	189	189	189	189	189	189
CAPITAL EQUIPMENT	1,559	882	1,034	350	350	350	350	350	350
SUBTOTAL STATE OPERATIONS	16,296	14,017	15,359	14,582	14,582	14,582	14,593	14,593	14,593
TOTAL EXPENDITURES	16,296	14,017	15,359	14,582	14,582	14,582	14,593	14,593	14,593
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	211	210	156	79	79	79			
GENERAL	13,749	10,899	11,586	11,347	11,347	11,347	11,426	11,426	11,426
HEALTH CARE ACCESS	328	1,157	1,586	1,161	1,161	1,161	1,167	1,167	1,167
HGHNY USER TAX DISTR	1,715	1,631	1,718	1,682	1,682	1,682	1,687	1,687	1,687
ENVIRONMENTAL	44	91	92	92	92	92	92	92	92
METRO LANDFILL CONTN	45								
STATUTORY APPROPRIATIONS:									
GENERAL	7								
SPECIAL REVENUE	148		171	171	171	171	171	171	171
FEDERAL	49	29	50	50	50	50	50	50	50
TOTAL FINANCING	16,296	14,017	15,359	14,582	14,582	14,582	14,593	14,593	14,593
FTE BY EMPLOYMENT TYPE:									
REGULAR	229.5	252.2	252.2		252.2		252.2		
TEMP/SEAS/PART_TIME	19.5	7.8	7.8		7.8		7.8		
OVERTIME	.1								
TOTAL FTE	249.1	260.0	260.0		260.0	260.0	260.0		260.0

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1996-97 Biennial Budget

BUDGET ACTIVITY: Property Tax and State Aid System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of

ACTIVITY DESCRIPTION:

The Property Tax and State Aid System includes support, evaluation, and oversight over Minnesota's locally administered property tax system; computation and payment of state-paid property tax relief payments to local governments; and administration of minerals taxes.

In the local property tax area, the activity assists and oversees county and city assessors in the complete and accurate identification of taxable property, its proper classification and valuation, and equalization of assessments among taxing districts; provides information to individual taxpayers and local government officials about the property tax process; conducts annual assessment-sales ratio studies to measure assessment levels, ensure their uniformity, and determine the basis for state aid payments to school districts; provides support to the State Board of Assessors, which is responsible for assessor education and licensure; staffs the State Board of Equalization, which is responsible for monitoring assessment levels for accuracy and uniformity and for issuing corrective orders where necessary; and directly assesses railroads, public utilities, and airflight property on a statewide basis as required by law.

In administering state aids to local governments, the activity collects and maintains assessment and levy information from all local taxing authorities each year; determines state aid payments for each county, city, town, and special taxing district under a variety of statutory formulas (Homestead and Agricultural Credit Aid, Local Government Aid, Disparity Reduction Aid, and many other smaller programs); makes aid payments by statutory deadlines each year; assists and monitors local governments in implementing the annual Truth in Taxation process; verifies and issues state deeds for tax forfeited property; determines annual levy limits for those taxing authorities subject to them; and educates and assists county auditors and treasurers on requirements and procedures for tax computation and collection.

The minerals tax activity administers taxes on the mining industry, the bulk of which flow to local governments in lieu of property taxes. These include the taconite production tax (the largest by far in terms of revenue), the occupation tax on taconite, semi-taconite, and iron ore (levied in lieu of the corporate income tax), aggregate material (gravel) tax, and ad valorem taxes on taconite railroads, unmined taconite, auxiliary mining lands for taconite operations, natural iron ore, and severed mineral interests.

BUDGET ISSUES:

This activity administers Minnesota's complex, frequently changing property tax and local government aids system. The complexity and instability of the system coupled with varying human and technical resources among local tax administrators requires increased resources for education and development of local staff capabilities and improvements to data transmission and processing systems to overcome technical limitations, reduce costs, and improve performance.

Within available resources this activity will:

- Emphasize training and meaningful performance feedback to county and city assessors in order to improve understanding of and compliance with property classification and valuation provisions to promote more uniform local assessment administration.
- Provide county auditors and treasurers with training and technical support to ensure they are able to fulfill their obligations for tax computation, billing, and collections in an accurate and timely manner.
- Conduct an intensive evaluation of the assessment-sales ratio study as it is now conducted at both the county and state levels, and develop and implement modifications to improve the timeliness and usefulness of information on assessment performance for both state and local officials, and at the same time reduce paper handling burdens on both department staff and assessors.
- Develop more highly automated systems for transferring assessment and tax levy data from local governments to the department, so as to reduce local government reporting burdens, and improve the quality and timeliness of data available.

Directing resources toward the priority areas described above will have the following implications:

- Individualized, on-site contact by department staff with individual county and city assessors will be reduced, along with the level of oversight of data used for the annual assessment-sales ratio study. This may affect levels of service for assessors and the quality and reliability of sales ratio statistics until a redesigned system for the study can be implemented.
- On-site audits of mining companies for specific tax types such as sales or occupation taxes could be reduced.

REVENUE:

This activity generates non-dedicated and dedicated revenue.

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994*	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated Revenue:					
Occupation Tax (Minerals)	\$2,986	\$2,665			
Taconite RR Gross Earnings Tax	0	468			
Dedicated Revenue:					
Airflight Property Tax	8,155	8,200			
Type of Revenue:					
Non-dedicated - Gen'l	2,986	3,133			
Non-dedicated - State Gov't					
Dedicated - Special	8,155	8,200			
Dedicated - Federal					
Total	\$11,141	\$11,333			

* F.Y. 1994 data is preliminary.

1996-97 Biennial Budget

BUDGET ACTIVITY: Property Tax and State Aid System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of
 (Continuation)

This activity makes state aid payments to units of local governments.

	<u>Stat. Auth.</u>	<u>Recipients</u>	<u>Dist. Criteria</u>
Homestead Agricultural	273.1398	local governments	set by law
Credit Aid (HACA)	273.166		
Local Government Aid	477A	local governments	set by law
County Criminal Justice Aid	477A	counties	set by law
Disaster Credit	273.123	homeowners	set by law
Agricultural Preserve 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	273.1391	homeowners in taconite relief	set by law
Homestead Credit		areas	
Disparity Reduction Credit	273.1398	local governments	set by law
Family Preservation Aid	477A.0122	counties	set by law
St. Paul Rental Tax Credit	Laws 1994 Chapters 5 & 7	St. Paul taxing districts	set by law

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: MINN TAX SYSTEM MGMT
ACTIVITY: PROPERTY TAX SYSTEM

ACTIVITY SUMMARY	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,303	2,437	2,409	2,357	2,357	2,357	2,357	2,357	2,357
EXPENSES/CONTRACTUAL SRVCS	170	335	300	300	300	300	300	300	300
MISC OPERATING EXPENSES	100	125	147	147	147	147	147	147	147
SUPPLIES/MATERIALS/PARTS	36	35	30	30	30	30	30	30	30
CAPITAL EQUIPMENT	508	100	52	46	46	46	46	46	46
SUBTOTAL STATE OPERATIONS	3,117	3,032	2,938	2,880	2,880	2,880	2,880	2,880	2,880
AIDS TO INDIVIDUALS	1	1							
TOTAL EXPENDITURES	3,118	3,033	2,938	2,880	2,880	2,880	2,880	2,880	2,880
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	35	39	25	25	25	25			
GENERAL	3,083	2,994	2,913	2,855	2,855	2,855	2,880	2,880	2,880
TOTAL FINANCING	3,118	3,033	2,938	2,880	2,880	2,880	2,880	2,880	2,880
FTE BY EMPLOYMENT TYPE:									
REGULAR	50.7	48.8	48.8		48.8		48.8		
TEMP/SEAS/PART_TIME	1.1	3.2	3.2		3.2		3.2		
TOTAL FTE	51.8	52.0	52.0		52.0	52.0	52.0		52.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Tax Operations
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of

ACTIVITY DESCRIPTION:

Tax Operations comprises several divisions (Profile, Access and Security; Document Processing; Revenue Accounting; Collection; Communications; and Information Systems) that are integral parts of the Income Tax System, Sales and Special Taxes System, and the Property Tax and State Aid System. The services of this activity are provided on an agency-wide basis for most types of taxes.

Tax Operations

- designs and produces forms and instructions,
- handles and sorts incoming tax returns and payments,
- develops communication materials,
- registers taxpayers,
- protects confidentiality of taxpayer data,
- processes paper and electronic returns,
- deposits paper and electronic remittances,
- stores taxpayer returns,
- establishes and maintains individual taxpayer accounts,
- administers revenue recapture: the process of applying a taxpayer's refund to obligations such as child support or delinquent government obligations, and refunding any balance to the taxpayer,
- accounts for taxes paid by tax type,
- verifies and collects unpaid individual and business taxes,
- creates performance measures for tax system operations,
- directs development of long-range and operational plans for the agency,
- trains and develops employee skills in technical and organizational areas,
- provides direction for quality improvements ranging from incremental changes to re-engineering, and
- supports all information systems technology, including creation, implementation, maintenance and upgrading of all external processing and internal communication systems.

BUDGET ISSUES:

The present level of funding will essentially maintain the business processes of the department at their current capacities. The document entry, edit and cash depositing processes - which were reengineered by the sales tax development program last biennium - will continue to be refined. This system redesign incorporates acceptance of a variety of electronic data interchange (EDI) mechanisms for greater efficiency, accuracy and speed. EDI includes electronic filing (EFS), electronic funds transfer (EFT), scanning, direct FAX filing, and filing by touchtone telephone. Refinement of EFT and EFS will enable more taxpayers to file and pay electronically, increase the transaction speed, reduce the transaction cost, and make the information from the transaction available sooner. We expect that the computer systems will be more expensive to operate than the limited function systems they replace, but that cost savings in document handling, entry and storage will result in nearly equivalent savings.

However, significant issues will exist in 5 areas of this budget activity at the current level of spending.

- *Electronic Funds Transfer (EFT).* Changing to EFT will add complexity and workload to payment processing by requiring that two payment processing systems be maintained (one for check payments and one for EFT). In addition, this change will affect thousands of individuals and businesses as they convert from making tax payments on paper through the mail to making payments electronically from their banks to the state's bank. The advantages to using EFT include improved accuracy, redeployment opportunities, earlier deposits, reduced burden and improved compliance within the tax system.
- *Work to upgrade our document and remittance processing systems* will not be significantly advanced this biennium. As noted above, minor refinements and improvements only to sales and special taxes system will be funded. At this level of funding the department will not be able to introduce these innovations into other tax types. The department's strategy is to extend these advances in process and technology (with accompanying performance improvements) to other tax types.
- *Replacement of aging and inflexible computer systems* will be delayed. Major department systems and databases are still maintained on the mainframe computer. These include our taxpayer accounts database, individual income tax system, and automated collection system. The department will not be able to continue the program of upgrading and / or replacing these key systems. Some of these systems are nearly a quarter-century old, are very manpower intensive, and prone to errors and costly disruptions in service.
- *Costs to insure system integrity* on the state network. At the current time, there is limited hardware and communications backup on the statewide network, which puts our operational stability and recovery capacity at risk. This has both operation cost and fiscal impact depending on the nature, location and duration of outages.
- *Department of Revenue (DOR) support for the Minnesota Collection Enterprise (MCE)* is an open question at this time. While the MCE was adequately funded to reimburse the department for estimated start up costs for F.Y. 1995, it is not clear if MCE support costs can be covered under full operation for the biennium under DOR leadership.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: MINN TAX SYSTEM MGMT
ACTIVITY: TAX SYSTEMS OPERATIONS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	19,425	20,027	23,987	21,875	21,875	23,787	21,875	21,875	22,035
EXPENSES/CONTRACTUAL SRVCS	8,746	10,468	11,105	8,506	8,506	8,506	8,506	8,506	8,506
MISC OPERATING EXPENSES	2,189	2,470	2,300	2,162	2,162	2,162	2,162	2,162	2,162
SUPPLIES/MATERIALS/PARTS	909	1,216	527	457	457	457	457	457	457
CAPITAL EQUIPMENT	1,385	1,323	641	591	591	591	591	591	591
OTHER	2	2	400	400	400	400	400	400	400
SUBTOTAL STATE OPERATIONS	32,656	35,506	38,960	33,991	33,991	35,903	33,991	33,991	34,151
TOTAL EXPENDITURES	32,656	35,506	38,960	33,991	33,991	35,903	33,991	33,991	34,151
GOV'S INITIATIVES:									
			FUND						
(A) BUSINESS PROCESS INVESTMENTS			GEN			1,912			160
TOTAL GOV'S INITIATIVES						1,912			160
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	250		183	183	183	183			
GENERAL	30,444	33,228	36,419	32,030	32,030	33,942	32,213	32,213	32,373
HEALTH CARE ACCESS	39		118	118	118	118	118	118	118
OPEN APPROPRIATIONS:									
GENERAL	1,446	452	1,100	1,100	1,100	1,100	1,100	1,100	1,100
STATUTORY APPROPRIATIONS:									
GENERAL	174	1,471	780	200	200	200	200	200	200
SPECIAL REVENUE	303	355	360	360	360	360	360	360	360
TOTAL FINANCING	32,656	35,506	38,960	33,991	33,991	35,903	33,991	33,991	34,151

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: MINN TAX SYSTEM MGMT
ACTIVITY: TAX SYSTEMS OPERATIONS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
REGULAR	403.6	503.5	505.6		505.6		505.6		
TEMP/SEAS/PART_TIME	125.0	120.2	117.1		117.1		117.1		
OVERTIME	5.0	6.2	6.1		6.1		6.1		
TOTAL FTE	533.6	629.9	628.8		628.8	636.3	628.8		630.4

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Revenue, Department of
 PROGRAM: Minnesota Tax System Management
 ACTIVITY: Tax Operations

ITEM TITLE: Business Process Investment

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,912	\$160	\$0	\$0
- Grants	\$0	\$0	\$0	\$0
Revenues: (\$000s)				
General Fund	\$0	\$0	\$0	\$0

Statutory Change? Yes No

If yes, statute(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends the development of an automated system, replacing outdated manual systems, to 1) record taxpayer filing information, 2) record taxpayer payments, and 3) deposit payments. The new system will substantially increase accuracy and decrease overall processing time. In addition, this system will enable expansion of the Department of Revenue's (DOR) current electronic filing and electronic funds transfer systems.

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

RATIONALE:

The Document Processing Division processes all payments and nearly all of the tax returns for the 3 DOR tax systems (Income Tax, Sales and Special Taxes, Property Tax and State Aid). The current manual processes are not as accurate, efficient, and timely as other department automated systems. Errors and delays introduced at this initial stage of the processing cycle are compounded as information moves through the rest of the process, creating inaccurate individual taxpayer accounts. This results in an increasing need for corrective activities such as communications with taxpayers and adjustments to accounts, as well as delays with refunds and in collecting underpayment.

PROGRAM OUTCOMES:

- More accurate taxpayer accounts and revenue data.
- Revenue and tax data available more quickly.
- Reduction of processing costs.
- Ability to record additional filing and payment information.
- Reduction in the risk of failure of aging hardware and software.

LONG-TERM IMPACT:

An automated system enables more taxpayers to use electronic technologies in filing returns and remitting payments. For some taxpayers, especially businesses filing withholding for example, these alternatives are convenient, easy, and cost effective. The state benefits from electronic filing and electronic payments because taxpayer remittances are deposited more quickly, returns are more accurately filed due to correction of arithmetic errors before filing, and account information used to assist the taxpayer is available more quickly.

Even though electronic transmission of all data to the Department of Revenue is desirable, it will not occur in the near future because of the cost to and the limited technical capacity of some the department's taxpayers. Given this likelihood, the state and the taxpayers still benefit from automation that simplifies the recording of information from paper forms and checks, provides immediate account information, and serves as a transition to future automation.

This automated system across tax types will be easier to use than the current manual system. The long delays, mundane jobs, and high costs associated with the recording and retrieval of paper documents are greatly decreased as the ability to process and store documents electronically is increased. This investment moves Minnesota tax processing in the same direction as the IRS, which is increasing electronic technologies and planning to receive all withholding information electronically by 2001.

1996-97 Biennial Budget

REVENUE:

BUDGET ACTIVITY: Legal and Research
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of

None.

ACTIVITY DESCRIPTION:

Legal and Research includes the legal services, appeals, criminal investigations, and tax research functions. Legal Services provides legal support to the tax systems through research and analysis of tax laws and policy, and represents the department at contested administrative and rule making hearings. Legal Services also drafts legislation, administrative rules and revenue notices. Administrative appeals are provided to taxpayers who are appealing audits or penalty determinations to ensure that tax assessments are accurate and conform to law. Investigations of activities that may be criminal in nature are conducted in support of the overall effort to improve compliance with the tax system.

Tax Research assists in the development of tax policy through objective research, analysis and measurement of tax and revenue information. Tax Research publishes many reports, such as the Tax Incidence Study and the Tax Expenditure Study, that help to measure the performance of state and local tax systems. Many of these reports are mandated by legislature. Tax Research also supports the state revenue forecast by measuring revenues from specific tax sources and by creating an annual income tax sample.

Customers of this activity include the legislature, Department of Finance, other state and local agencies, taxpayers and taxpayer representatives, and other activities within the Department of Revenue (DOR).

BUDGET ISSUES:

This activity provides the legal and research support for the complex and frequently changing state and local tax laws. Each year, many new tax laws are created or proposed while hundreds of amendments are made to existing laws. Demands for services from Legal and Research have surpassed the capacity of the current staff. The activity will prioritize its resources to best support the mission of the DOR.

- The legislature and other customers have significantly increased their requests for research and analysis of tax information, mandated tax studies, and reporting requirements beyond the resources of tax research. To meet this demand, services in tax research that do not support the direct activities of the DOR will need to be reduced.
- Funding for audit and collection activities was increased in F.Y. 1994-95. This increased activity has resulted in a growing backlog in administrative appeals and the inability to finalize appeals within established time lines.
- Legal services will be shifted away from direct customer service activities in order to meet the growing requirements for administrative rules and revenue notices.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: MINN TAX SYSTEM MGMT
ACTIVITY: LEGAL & RESEARCH SERVICES

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,916	2,035	3,374	3,374	3,374	3,374	3,374	3,374	3,374
EXPENSES/CONTRACTUAL SRVCS	543	1,147	533	237	237	237	237	237	237
MISC OPERATING EXPENSES	76	159	110	110	110	110	110	110	110
SUPPLIES/MATERIALS/PARTS	121	227	76	76	76	76	76	76	76
CAPITAL EQUIPMENT	78	110	34	34	34	34	34	34	34
SUBTOTAL STATE OPERATIONS	3,734	3,678	4,127	3,831	3,831	3,831	3,831	3,831	3,831
TOTAL EXPENDITURES	3,734	3,678	4,127	3,831	3,831	3,831	3,831	3,831	3,831
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	38		39	39	39	39			
GENERAL	3,689	3,678	3,985	3,689	3,689	3,689	3,728	3,728	3,728
HEALTH CARE ACCESS			96	96	96	96	96	96	96
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	7		7	7	7	7	7	7	7
TOTAL FINANCING	3,734	3,678	4,127	3,831	3,831	3,831	3,831	3,831	3,831
FTE BY EMPLOYMENT TYPE:									
REGULAR	58.5	59.6	59.6		59.6			59.6	
TEMP/SEAS/PART_TIME	4.3	3.4	3.4		3.4			3.4	
OVERTIME	.1								
TOTAL FTE	62.9	63.0	63.0		63.0	63.0		63.0	63.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Administrative Support
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of

ACTIVITY DESCRIPTION:

The Administrative Support activity includes the agency functions that support the department and its programs. These functions include:

- Commissioner's Office
- Taxpayer's Rights Advocate
- Affirmative Action Officer
- Internal Audit
- Human Resource Management - personnel, benefits, employee development and labor relations
- Central services - procurement, facilities management, telecommunications support and rent
- Financial Management - budget and control, payroll, accounts payable and contract management

These agency-wide resources have three primary missions in common:

1. Services to managers and employees;
2. Institutional support for tax system management through effective business partnerships;
3. Management and control over department resources, processes and programs through active analytical, educational and review/feedback programs.

Service activities include normal administrative tasks such as employee testing and hiring, agency accounts management, purchasing and maintenance, building and equipment management, and office support.

Institutional support includes agency executive functions, taxpayer problem resolution, administration of rent and facility, lease and contract processes, agency-wide resource planning and assessment, diversity programs, project management, program evaluation, performance measurement programs at the agency and individual level, and interagency and intergovernmental coordination.

Management and control processes include executive oversight, strategic planning, affirmative action monitoring, internal audit, operations research and program evaluation. These are accomplished through ongoing application of agency, statewide and federal standards in the administrative disciplines of personnel, finance information systems and procurement.

BUDGET ISSUES:

This activity will be significantly impacted by the introduction of the new statewide accounting, personnel, payroll and procurement systems. While the current schedule calls for the systems to be on line during F.Y. 1995, we anticipate further training and internal program development costs during the ensuing year. These costs are unknown at the present time and will in part be dependent upon department options for implementing new processes.

A second issue is more complex still. We have committed to long-term tracking of the receipts and

results attributable to various 1993 legislative initiatives. This is important to us for both purposes of internal measurement and evaluation as well as for legislative reporting. Until we have made significant investments in our taxpayer accounting and collections systems, and complemented these with an audit tracking system, we will have to do this by a combination of *ad hoc* reporting tools, system fixes and manual processes. The magnitude of the problem will grow with time because of the accumulative complexity of multiple funding, project target and revenue sources.

The department has received appropriations for specific revenue-producing initiatives over the past several biennia, and has tracked revenues associated with those initiatives in subsequent years. Although the latest Department of Finance reporting requirements will mean we must track results from these appropriations for a period of 6 years, it may not make sense to continue applying the funds in the same manner after the planned period for the initiative. The nature of these revenue initiatives is such that we try to take the highest return-on-investment strategies from among many alternatives. With the passage of time, other projects will emerge with greater potential return, and we have in the past been able to use our discretion to redirect initiative funding--after the initial project period ended--in different combinations to fund new projects that are consistent with initial program goals and can ensure continual high returns from the investments made. Continuous tracking of specific project appropriations in various new projects beyond the original period will be extremely costly and complex.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: MINN TAX SYSTEM MGMT
ACTIVITY: ADMINISTRATIVE SUPPORT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,860	5,723	3,922	3,922	3,922	3,922	3,922	3,922	3,922
EXPENSES/CONTRACTUAL SRVCS	5,017	3,248	6,510	7,181	7,181	7,181	7,597	7,597	7,597
MISC OPERATING EXPENSES	124	285	124	124	124	124	124	124	124
SUPPLIES/MATERIALS/PARTS	268	247	129	129	129	129	129	129	129
CAPITAL EQUIPMENT	1,365	224	75	75	75	75	75	75	75
OTHER	11								
SUBTOTAL STATE OPERATIONS	9,645	9,727	10,760	11,431	11,431	11,431	11,847	11,847	11,847
TOTAL EXPENDITURES	9,645	9,727	10,760	11,431	11,431	11,431	11,847	11,847	11,847
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	9,645	9,727	10,760	11,431	11,431	11,431	11,847	11,847	11,847
TOTAL FINANCING	9,645	9,727	10,760	11,431	11,431	11,431	11,847	11,847	11,847
FTE BY EMPLOYMENT TYPE:									
REGULAR	48.8	58.6	58.6		58.6			58.6	
TEMP/SEAS/PART_TIME	9.1	5.0	5.0		5.0			5.0	
OVERTIME	.1								
TOTAL FTE	58.0	63.6	63.6		63.6	63.6		63.6	63.6

1996-97 Biennial Budget

AGENCY: Minnesota Amateur Sports Commission (MASC)

AGENCY DESCRIPTION:

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

The following items are shaping the development of MASC planning:

1. A Proven Sport Host. Minnesota has a proven record of hosting major amateur sporting events for the period 1989 through 1994 and is a recognized national leader. This trend can be sustained for the foreseeable future. The MASC intends to work with Minnesota organizations and facilities to sustain this economic activity.
2. MASC Facility Growth. The MASC now supports 8 major sport facilities. With the addition of the Target Center's 50 dates/year, there are increased demands for MASC staff and resources. The most recent success is the 1998 World Figure Skating Championships.
3. Social Program Development. 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. These include special programming for girls and women, seniors, inner city youth, and athletes with special needs. The MASC has achieved considerable success in the area of new programs and statewide awareness for girls and women.

REVENUES:

None.

GOALS AND 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.

Sport Economic Benefits:

- 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.
- 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 1994.
- MASC Affiliate Facilities. The MASC will support its 8 affiliate facilities to increase user numbers of these state facilities.
- Minnesota Amateur Sport Associations. The MASC will work to support Minnesota amateur sport associations through events, facilities, and programs to indirectly support a membership growth.
- 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.

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 million (\$10 million MASC facilities and \$10 million other Minnesota facilities).

Social. To support sport program activity in order to allow growth in amateur sports participation growth in the Minnesota amateur sport association participants.

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, and
- improving infrastructure through developing sport activities.

ISSUES AFFECTING AGENCY'S OPERATIONS:

Based on the MASC's mission, established tradition in hosting sporting events and programs, and changing climate, the agency has formulated a budget plan. The budget plan and initiatives recognizes that the MASC now has 8 major facilities and 50 dates/year at Target Center. Additional resources are required to support this growing program. Special needs in developing more women's/girl's sport opportunities also requires additional resources. The agency will continue to develop private resources and seek greater efficiencies. However, the new program initiative will require a net addition in resources.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The MASC did not receive any additional funding at the 1994 legislative session when the MASC was assigned the task to program the Target Center. This proposed staff addition of 2.0 positions and \$185,000 for the biennium would increase Minnesota's capabilities to research prospective local, national and international amateur events, meet with national governing body and Olympic officials on a regular basis, create new grass roots events which will bring favorable economic impact to the state of Minnesota.

The MASC cannot estimate or project revenues generated from events at the Target Center until a reasonable history is established in this biennium. If there is any excess revenue, resulting from fees charged and exceeding the costs of an event, it will cancel to the General Fund.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

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

ACTIVITY SUMMARY	Est.			FY 1996			FY 1997		
	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	317	332	363	350	412	412	350	412	412
EXPENSES/CONTRACTUAL SRVCS	63	49	57	53	63	63	53	63	63
MISC OPERATING EXPENSES	34	47	32	32	43	43	32	46	46
SUPPLIES/MATERIALS/PARTS	10	7	12	12	14	14	12	14	14
CAPITAL EQUIPMENT	20	8	6	6	24	24	6	9	9
SUBTOTAL STATE OPERATIONS	444	443	470	453	556	556	453	544	544
TOTAL EXPENDITURES	444	443	470	453	556	556	453	544	544
AGENCY PLAN ITEMS:									
									FUND
3% SMALL AGENCY INCREASE						3			6
TARGET CENTER PROGRAMMING						100			85
TOTAL AGENCY PLAN ITEMS						103			91
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	444	443	470	453	556	556	453	544	544
TOTAL FINANCING	444	443	470	453	556	556	453	544	544
FTE BY EMPLOYMENT TYPE:									
REGULAR	7.1	7.0	7.0		9.0			9.0	
TEMP/SEAS/PART_TIME	1.0	1.3	1.3		1.3			1.3	
TOTAL FTE	8.1	8.3	8.3		10.3	10.3		10.3	10.3

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

AGENCY: AMATEUR SPORTS COMMISSION

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	470	470	470	470				
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<17>	<17>	<17>	<17>				
SUBTOTAL BASE ADJ.	<17>	<17>	<17>	<17>				
CURRENT SPENDING	453	453	453	453				

1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: HUMAN RIGHTS, DEPARTMENT OF

PROGRAM

PAGE

CONTRACT COMPLIANCE

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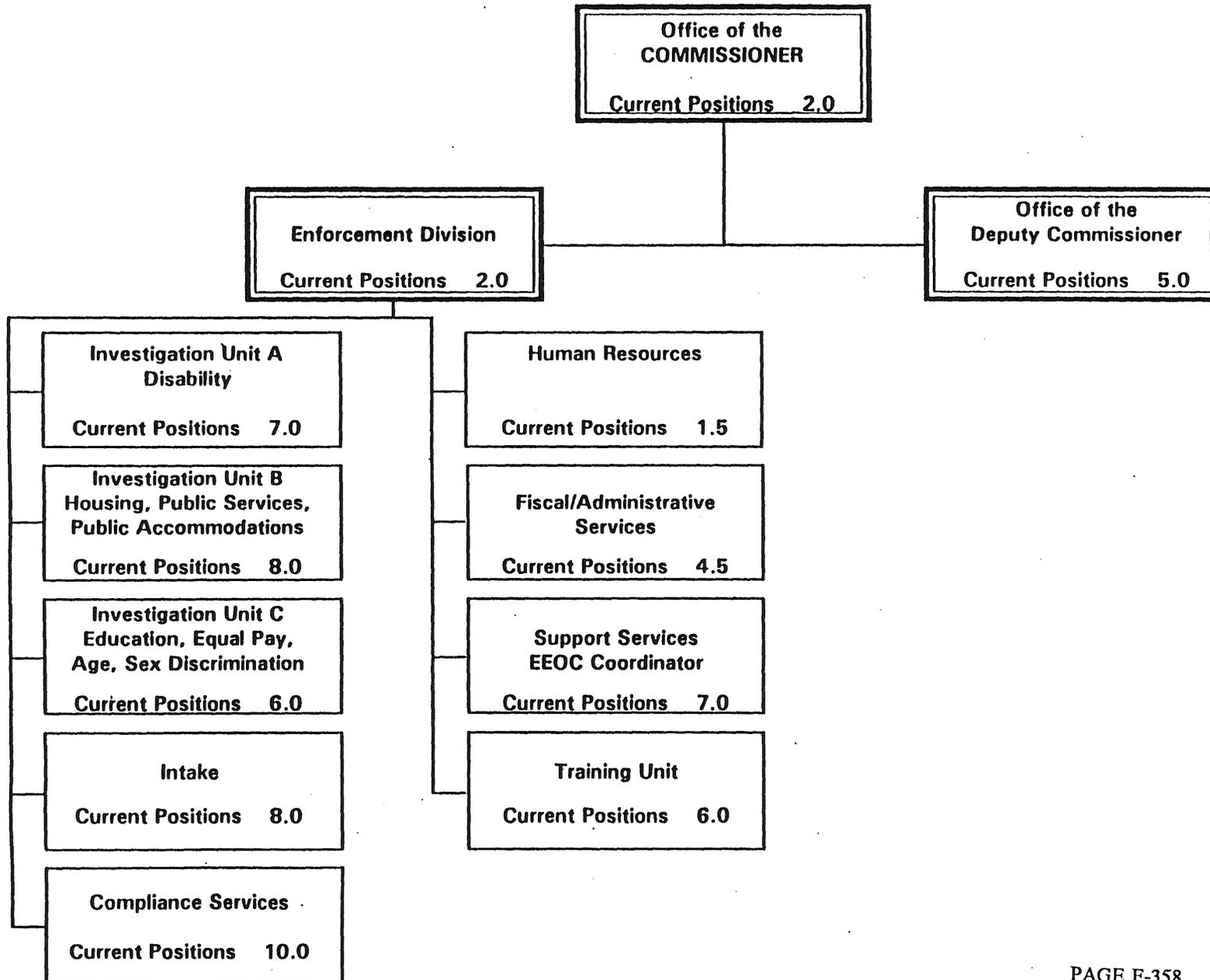
COMPLAINT PROCESSING

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MANAGEMENT SERVICES AND ADMINISTRATION

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DEPARTMENT OF HUMAN RIGHTS
Organizational Chart



**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Human Rights, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
BASE YEAR (F.Y. 1995)	\$3,474	\$3,474	\$6,948
<u>BASE ADJUSTMENT:</u>			
Appropriations Carried Forward	(9)	(9)	(18)
Documented Rent/Lease Increase	5	11	16
Special Legislative Adjustments	27	(162)	(135)
Attorney General Costs	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>
CURRENT SPENDING	\$3,496	\$3,313	\$6,809
<u>AGENCY DECISION ITEMS:</u>	\$-0-	\$-0-	\$-0-
AGENCY PLAN	\$3,496	\$3,313	\$6,809
<u>GOVERNOR'S INITIATIVES:</u>	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATIONS	\$3,496	\$3,313	\$6,809

Brief Explanation of Agency Plan:

- The primary work of the agency is provided through personnel. The plan includes continuation of base funding as 83% of the agency's budget is personnel.
- The plan includes \$306,000 in F. Y. 1996 and \$117,000 in F.Y. 1997 for a data network system approved by the 1994 legislature.
- The department budgets \$18,000 per year to sponsor an annual Human Rights Day for the state of Minnesota. This money is raised by fees and contributions of sponsors.

Revenue Summary:

Federal revenues totaling approximately \$250,000 per year for investigations are deposited in the General Fund. These funds are not available for the agency's use which receives a General Fund appropriation in lieu thereof.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

AGENCY: Human Rights, Department of

AGENCY DESCRIPTION:

The department is committed to the goal of promoting, creating and maintaining in Minnesota an environment free from discrimination by eliminating illegal discrimination and remedying the impact of discrimination on the lives of the people of Minnesota. To accomplish these goals, the department:

- Motivates organizations and individuals to comply with the Human Rights Act by vigorously enforcing the law, specifically, by investigating discrimination complaints and engaging in conciliation, persuasion and litigation to positively resolve discrimination issues.
- Provides incentives for complying with the 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.
- Acts as a state leader in the area of human rights. To maintain the 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.
- Devotes 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 organized into 4 programmatic areas: 1) Contract Compliance; 2) Complaint Processing; 3) Education and Prevention (in planning stages); and 4) Management Services and Administration.

The clientele for these programs includes businesses which contract with the state, individuals who believe they have been discriminated against, respondents charged with discriminatory conduct, and the members of the general public.

AGENCY CHALLENGES:

The following factors are shaping the development of policies and programs at the Human Rights Department:

- **Increases in Discrimination Charge Filings.** The number of discrimination charges filed with the Human Rights Department continues to increase steadily. The Human Rights Department anticipates that the public demand for its services will continue to increase at a rate of 10% each year.
- **Increase in Complaint Processing.** The work of the department requires extensive correspondence, including registered/certified mail, preparation for litigation, telephone, fax and other communication costs. As a result, the agency spends a significant portion of its operating budget on communication costs. These costs will increase in direct proportion to the charges filed.

- **Greater Emphasis on Monitoring Contractor Affirmative Action Plans.** Although the number of affirmative action plans reviewed and certificates of compliance issued to contractors is expected to remain constant, the need to monitor contractors' recruitment and hiring practices is receiving greater emphasis. It is through monitoring activities that the Human Rights Department can assess contractors' compliance with the state's affirmative action/equal employment opportunity laws.
- **Greater Emphasis on Education and Outreach.** The importance of preventative education and outreach continues to receive increased support. The Human Rights Department currently lacks the staff and other resources necessary to effectively implement an education and outreach program.
- **Need for Identification of Systemic Discrimination Issues.** In recent years the Human Rights Department has lacked the staff and resources to conduct testing activities and other means of identifying patterns and practices of discriminatory conduct. As a result, the agency is not meeting an important part of its mission—to identify unlawful discrimination and instead reacts to charges filed by individuals. Only through a strong, proactive program can the Human Rights Department identify early on discrimination issues that can have a widespread impact on members of the general public.
- **Litigation/Administrative Hearings.** The agency litigates complaints with probable cause findings that otherwise cannot be resolved. The costs are unpredictable and represent a significant portion of the agency's operating budget. A charging party can demand an administrative hearing of his/her complaint 180 days after filing and prior to issuance of a determination by the agency. The agency is required to pay for the cost of the hearing. Respondents can be ordered to pay for hearing costs.

AGENCY STRATEGIES:

The Human Rights Department's budget plan is constructed to achieve the following outcomes:

- ensure state contractors' compliance with Minnesota's affirmative action/equal employment opportunity laws; and
- identify, eliminate and remedy unlawful discriminatory conduct.

See the Annual Performance Report, dated 9-15-94, for agency results and outcomes.

REVENUE SUMMARY:

The agency does not generate reportable revenue applicable to the Departmental Earnings Report. The department sponsors an annual Human Rights Day, but contributions and fees are generated to defer costs.

SUMMARY OF BUDGET REQUEST:

- The plan includes \$306,000 in F.Y. 1996 and \$117,000 in F.Y. 1997 for a data network approved by the 1994 legislature.
- The primary work of the agency is provided through personnel. The plan includes continuation of base funding as 83% of the agency's budget is personnel.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN RIGHTS, DEPARTMENT OF

PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
CONTRACT COMPLIANCE	502	476	420	420	420	420	420	420	420
COMPLAINT PROCESSING	1,716	1,795	2,275	2,219	2,219	2,219	2,225	2,225	2,225
MANAGEMENT SERVICES AND ADMIN	1,076	1,035	854	881	881	881	692	692	692
TOTAL EXPENDITURES BY PROGRAM	3,294	3,306	3,549	3,520	3,520	3,520	3,337	3,337	3,337
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,266	3,209	3,474	3,496	3,496	3,496	3,313	3,313	3,313
STATUTORY APPROPRIATIONS:									
GENERAL	11	69	56	5	5	5	5	5	5
SPECIAL REVENUE	17	18	19	19	19	19	19	19	19
GIFTS AND DEPOSITS		10							
TOTAL FINANCING	3,294	3,306	3,549	3,520	3,520	3,520	3,337	3,337	3,337
FTE BY EMPLOYMENT TYPE:									
REGULAR	61.0	61.8	67.0		67.0			67.0	
TOTAL FTE	61.0	61.8	67.0		67.0	67.0		67.0	67.0

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

AGENCY: HUMAN RIGHTS, DEPARTMENT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	3,549	3,549	3,530	3,530	19	19		
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<9>	<9>	<9>	<9>				
NON-RECURRING EXPENDITURES	<51>	<51>	<51>	<51>				
DOCUMENTED RENT/LEASE INC/DEC	5	11	5	11				
SPECIAL LEGIS. ADJUSTMENTS	27	<162>	27	<162>				
ATTORNEY GENERAL COSTS	<1>	<1>	<1>	<1>				
SUBTOTAL BASE ADJ.	<29>	<212>	<29>	<212>				
CURRENT SPENDING	3,520	3,337	3,501	3,318	19	19		

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1996-97 Biennial Budget

PROGRAM: Contract Compliance
AGENCY: Human Rights, Department of

PROGRAM DESCRIPTION:

The contract compliance program encourages the creation of employment opportunities for minorities, women and people with disabilities by requiring, pursuant to M.S. 363, that state agencies do business only with affirmative action/equal opportunity employers.

Contract compliance program activities include:

- reviewing affirmative action plans and providing technical assistance to businesses seeking to contract with the state;
- issuing certificates of compliance; and
- monitoring contractors' compliance with their affirmative action plans.

The following issues are associated with these activities:

- Turnaround time for agency review of affirmative action plans and technical assistance services is critical. Timelines established by statute and rules must be met in order to ensure that potential contractors are allowed to bid on state contracts in a timely manner.
- Monitoring needs cannot be met due to insufficient resources. Lack of sufficient resources has required the agency to devote its contract compliance efforts to affirmative action plan review at the expense of monitoring contractors' compliance with their stated recruitment and hiring goals. This means that the agency is unable to measure the overall effectiveness of the contract compliance program.

PROGRAM STATUS:

Minnesota law prohibits state agencies from accepting any bid or proposal from a contract in excess of \$50,000 with any business having more than 20 full-time employees, unless the business has an affirmative action plan that promotes employment opportunities for minorities, women and persons with disabilities, and that plan has been approved by the Commissioner of the Department of Human Rights. The agency reviews contractor's affirmative action plans, provides technical assistance to contractors whose plans are deficient, and issues certificates of compliance to those businesses deemed to be equal opportunity/affirmative action employers.

Current funding and lack of a supportive information system severely restricts the agency's ability to monitor certified businesses to determine whether they are making good faith efforts to implement their affirmative action plans.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1994 Annual Performance Report to be accomplished as follows:

- The agency will continue to timely review all affirmative action plans submitted for approval.
- The agency will continue to provide technical assistance services at current levels.
- By the end of F.Y. 1997, the agency will have increased monitoring activity due primarily to the development and implementation of a supportive computer system, which will eliminate paperwork, increase efficiency in affirmative action plan review and issuing certificates of compliance, and allow for increased staff time to devote to monitoring activities.

BUDGET AND REVENUE SUMMARY:

The agency plan is to maintain current funding and staffing levels. The Contract Compliance program is totally funded by the General Fund.

The agency invested in a computer initiative to improve efficiency and effectiveness of contract compliance, to be in compliance with audit requirements, and to eliminate paperwork.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN RIGHTS, DEPARTMENT OF
PROGRAM: CONTRACT COMPLIANCE
ACTIVITY: CONTRACT COMPLIANCE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	494	462	410	410	410	410	410	410	410
EXPENSES/CONTRACTUAL SRVCS	6	6	4	4	4	4	4	4	4
MISC OPERATING EXPENSES	2	8							
SUPPLIES/MATERIALS/PARTS			6	6	6	6	6	6	6
SUBTOTAL STATE OPERATIONS	502	476	420	420	420	420	420	420	420
TOTAL EXPENDITURES	502	476	420	420	420	420	420	420	420
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	502	476	420	420	420	420	420	420	420
TOTAL FINANCING	502	476	420	420	420	420	420	420	420
FTE BY EMPLOYMENT TYPE:									
REGULAR	12.6	13.3	10.0		10.0			10.0	
TOTAL FTE	12.6	13.3	10.0		10.0	10.0		10.0	10.0

1996-97 Biennial Budget

PROGRAM: Complaint Processing
AGENCY: Human Rights, Department of

PROGRAM DESCRIPTION:

The complaint processing program is designed to identify, eliminate and remedy unlawful discriminatory conduct as defined under the Human Rights Act, M.S. 363. The complaint processing activities include intake and screening of discrimination charges, investigating discrimination charges, facilitating resolutions to discrimination charges through settlement and conciliation, and litigating cases in which discrimination is found.

The issues associated with these activities are:

- the number of potential discrimination charges has increased affecting the turnaround time on intake activities of screening and drafting charges. There exists the risk that timely claims do not get filed since the agency lacks resources sufficient to staff intake activities as demanded.
- Timely investigation is critical to effective enforcement. However, the number of charges filed increases at about 10% per year, thereby, increasing each investigator's caseload and adding to the investigation time. The department has experienced a substantial increase in the number of filed charges that are referred to the Office of Administrative Hearings at the charging party's request because no decision is issued on the charge within 180 days of the filing date. Although the agency does not participate in the administrative hearing process, the agency pays all costs. The increase in 180-day hearing costs leaves the agency with fewer resources to devote to complaint investigation.
- Staffing to focus on the early identification and dismissal of charges lacking merit, involving uncooperative charging parties, or investigations leading to no probable cause determination can lower caseloads.
- Staffing for early identification and conciliation of charges suitable for commencing positive resolution provides for effective enforcement and can lead to lower caseloads per investigator.

PROGRAM STATUS:

The agency is charged with investigating complaints of alleged unlawful discrimination and is required to accept for filing any charge that meets minimal jurisdictional requirements. Public demand for the agency's complaint processing services continues to increase at the historical rate of 10% per year, and the agency sees this trend continuing into the future. The agency recently implemented complaint processing policies designed to streamline investigation time, and also effectuated clear production standards that all case investigators must meet. There is a production ceiling, however, and unless staffing levels are raised to meet increased demands for services, the agency may see a backlog of cases.

The agency will continue to devise policies and procedures to efficiently and effectively process discrimination charges. Current funding levels limit the number of investigators the agency can employ, which could result in a backlog of uninvestigated cases. The agency will work to increase the number of cases positively resolved through settlement.

PLANNED RESULTS:

The agency budget plan will assist the agency in fulfilling the reported performance measures from the 1994 Annual Performance Report by:

- maintaining case processing time, and
- maintaining intake activity levels and ensuring timely filing of discrimination charges.

BUDGET AND REVENUE SUMMARY:

The agency's plan is to maintain current funding and staffing levels. The Complaint Processing program is totally funded by the General Fund.

- The primary work of the agency is provided through personnel. The plan includes continuation of base funding as 83% of the agency's budget is personnel.
- The plan includes development of a training program to provide well-trained and professional investigative staff, who will improve the efficiency and effectiveness of complaint processing.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN RIGHTS, DEPARTMENT OF
PROGRAM: COMPLAINT PROCESSING
ACTIVITY: COMPLAINT PROCESSING

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,265	1,312	1,805	1,754	1,782	1,782	1,754	1,787	1,787
EXPENSES/CONTRACTUAL SRVCS	346	411	286	290	290	290	296	296	296
MISC OPERATING EXPENSES	63	65	102	102	97	97	102	97	97
SUPPLIES/MATERIALS/PARTS	24	5	82	73	50	50	73	45	45
CAPITAL EQUIPMENT	18	2							
SUBTOTAL STATE OPERATIONS	1,716	1,795	2,275	2,219	2,219	2,219	2,225	2,225	2,225
TOTAL EXPENDITURES	1,716	1,795	2,275	2,219	2,219	2,219	2,225	2,225	2,225
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,705	1,726	2,219	2,214	2,214	2,214	2,220	2,220	2,220
STATUTORY APPROPRIATIONS:									
GENERAL	11	69	56	5	5	5	5	5	5
TOTAL FINANCING	1,716	1,795	2,275	2,219	2,219	2,219	2,225	2,225	2,225
FTE BY EMPLOYMENT TYPE:									
REGULAR	30.1	29.5	43.0		43.0			43.0	
TOTAL FTE	30.1	29.5	43.0		43.0	43.0		43.0	43.0

1996-97 Biennial Budget

PROGRAM: Management Services and Administration
AGENCY: Human Rights, Department of

PROGRAM DESCRIPTION:

Program activities include Offices of the Commissioner and Deputy Commissioner, Fiscal Services, Human Resources, and Information Systems.

PROGRAM STATUS:

The commissioner and deputy commissioner manage and direct the department pursuant to the requirements of M.S. 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 program also includes management services which provide general administrative support to the department, such as human resources, financial management, accounting, information systems management, management analysis and word processing support. Current funding allows for adequate staffing and delivery of program activities.

PLANNED RESULTS:

- Maintain program activity levels. No anticipated need to increase staffing.

BUDGET AND REVENUE SUMMARY:

The agency plan is to maintain current funding and staffing levels.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN RIGHTS, DEPARTMENT OF
PROGRAM: MANAGEMENT SERVICES AND ADMIN
ACTIVITY: MANAGEMENT SERVICES AND ADMIN

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	957	872	565	565	565	565	565	565	565
EXPENSES/CONTRACTUAL SRVCS	48	90	82	52	52	52	42	42	42
MISC OPERATING EXPENSES	41	37	42	42	42	42	37	37	37
SUPPLIES/MATERIALS/PARTS	30	32	76	37	37	37	48	48	48
CAPITAL EQUIPMENT		4	89	185	185	185			
SUBTOTAL STATE OPERATIONS	1,076	1,035	854	881	881	881	692	692	692
TOTAL EXPENDITURES	1,076	1,035	854	881	881	881	692	692	692
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,059	1,007	835	862	862	862	673	673	673
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	17	18	19	19	19	19	19	19	19
GIFTS AND DEPOSITS		10							
TOTAL FINANCING	1,076	1,035	854	881	881	881	692	692	692
FTE BY EMPLOYMENT TYPE:									
REGULAR	18.3	19.0	14.0		14.0			14.0	
TOTAL FTE	18.3	19.0	14.0		14.0	14.0		14.0	14.0

1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: MILITARY AFFAIRS, DEPARTMENT OF

PROGRAM

PAGE

MAINT-TRAINING FACILITIES

F-377

Camp Ripley/Holman
Armory Maintenance
Air Base Maint-Twin Cities
Air Base Maint-Duluth

GENERAL SUPPORT

F-390

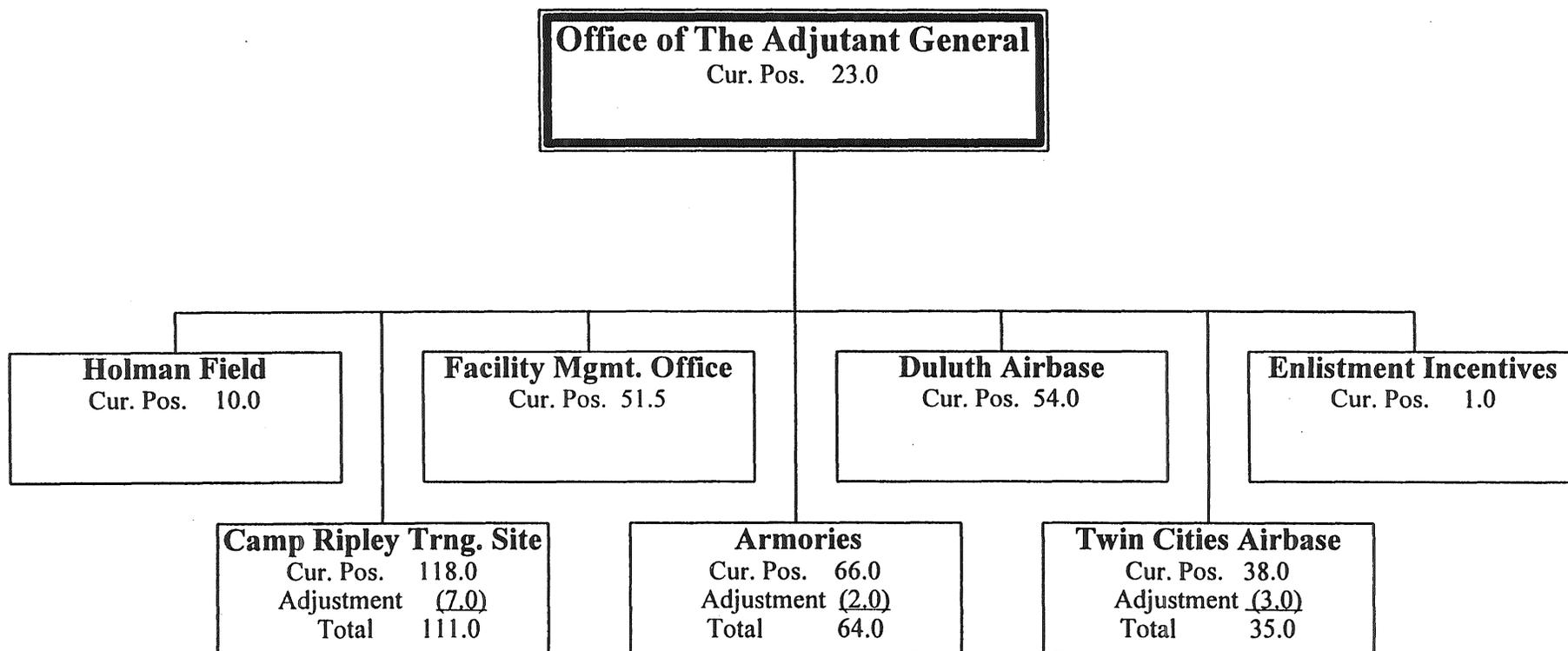
Administrative Services
Auxiliary Services
Starbase Minnesota

ENLISTMENT INCENTIVES

F-398

Enlistment Incentives

**Department of Military Affairs
Organizational Chart 7/1/94**



JUNE 30, 1994 FTE EMPLOYEES: 339.2

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Military Affairs, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$10,120	\$10,120	\$20,240
<u>BASE ADJUSTMENT:</u>			
Base Adjustments			
One-time appropriation	(134)	(134)	(268)
Appropriation carried forward	(726)	(726)	(1,452)
Documented rent/lease increase	<u>77</u>	<u>156</u>	<u>233</u>
<u>CURRENT SPENDING</u>	\$9,337	\$9,416	\$18,753
<u>AGENCY DECISION ITEMS:</u>			
Assessment New Brighton	109	0	109
Assessment Montevideo	40	0	40
Assessment Park Rapids	9	0	9
Assessment Rosemount	<u>57</u>	<u>121</u>	<u>178</u>
<u>AGENCY PLAN</u>	\$9,552	\$9,537	\$19,089
 GOVERNOR'S RECOMMENDATIONS	 \$9,552	 \$9,537	 \$19,089

Brief Explanation of Agency Plan:

No agency initiatives are included in this budget request. Adjustments to the base are included because of assessments in 4 locations and increases in rent paid to the Department of Administration, the Minnesota State Armory Building Commission and the Duluth Airport Authority.

- The plan calls for a reallocation of \$211,000 in F.Y. 1996 and \$261,000 in F.Y. 1997 from the Reenlistment Bonus section of the Enlistment Incentives budget activity to the Tuition Reimbursement section of that budget activity. This will not effect current spending.
- The plan requests a one-time appropriation of \$109,000 in F.Y. 1996 for an assessment at the New Brighton Maintenance Facility complex. Assessment is for installation of utility services due to the discontinuance of those services by the Department of the Army's Twin Cities Army Ammunition Plant.
- The plan requests a one-time appropriation of \$40,000 for an assessment for storm sewer upgrading at the new training and community center in Montevideo.
- The plan requests \$9,000 in F.Y. 1995 for storm sewer and water line assessments in our closed armory facility in Park Rapids.
- The plan requests for appropriations for assessments to property owned by the department in Rosemount whereon a combined maintenance facility will be constructed beginning in the fall of 1994. Appropriations request are \$57,000 in F.Y. 1996 for sanitary and storm sewer extensions and \$121,000 in F.Y. 1997 for street curbing and paving and street lighting.

Revenue Summary:

There is no revenue generated or lost by any budget decisions.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-97 Biennial Budget

AGENCY: Military Affairs, Department of

AGENCY DESCRIPTION:

M.S. 15.01 includes the department of Military Affairs as a department of state government. M.S. 190.05, subd 5., states that The Department of Military Affairs "... is comprised of and includes the military forces of the state, the office of the Adjutant General, all military reservations, military installations, armories, air bases and facilities owned or controlled by the state for military purposes..." Contemporarily, the 190, 191, 192, 192A and 193 of Minnesota Statutes, also known as the military code, all deal with the department of Military Affairs, the state militia, the national guard, discipline thereof, and facilities for their activities. M.S. 190.09 states that "The Adjutant General shall be the chief of staff to the commander-in-chief (governor) and the administrative head of the military department. Because of this statutory designation, the Adjutant General acts in the capacity of a commissioner.

The mission of the agency is to provide leadership and management for state programs that insure: 1) adequate training facilities are available to the Army and Air National Guard for administration and training, 2) enlistment incentives are available to maintain authorized strength levels, and 3) forces are available to the governor for state emergencies. Major goals that support the mission are:

1. Maintain current Army and Air National Guard training and administrative facilities to meet organizational requirements.
2. Operate training and administrative facilities in the efficient and cost effective manner.
3. Maintain Army and Air National Guard Strength at or above authorized levels.
4. Execute a long range facility replacement program to meet organizational needs.
5. Be available and ready to support local law enforcement authorities in emergencies when call to duty by the governor.

Our customers are the approximately 11,600 members of the Army and Air National Guard and, to a lesser degree, the citizens of Minnesota in times of emergencies. The department's 3 budget programs are: 1) **Maint-Training Facilities** which provides for operations, maintenance and repair of training and logistical support facilities for use by the National Guard, 2) **General Support** provides part of the department's leadership and administrative services which include state emergencies, and 3) **Enlistment Incentives** which provides benefits that encourage people to join the National Guard and remain in the National Guard. The Maintenance and Incentives programs comprise 84% of the agency's General Fund budget. In addition to the stated mission of the agency, a separate and distinct federally funded structure exists within the department that is responsible for the training, administration and logistical support of the Minnesota Army and Air National Guard in preparation for the defense of our nation. There are approximately 1,650 federal civil service and active duty National Guard officers and enlisted personnel that are directly support the approximately 9,200 Army National Guard members and 2,400 Air National Guard members.

In addition to the 1,650 federal employees, there are 223.6 FTE (state) positions dedicated to the support of training, maintenance, and administration of the National Guard (See Table 1). Through federal/state funding agreements, the federal government reimburses the state in various percentages for employee costs associated with these agreements. M.S. 190.16 empowers the Adjutant General to "cooperate with the government of the United States or any agency or department thereof in the construction, improvement, or maintenance of buildings, air bases, roads, utilities and any or all other structures or facilities required in the training, housing, and maintenance of the military forces of the state . . ."

AGENCY CHALLENGES:

Current appropriations restrict providing the facilities management office sufficient funds to meet our goal of reducing the backlog of maintenance and repair by 5% each year. There are numerous requirements to cover such unfunded obligations as workers compensation payments, unemployment compensation benefits, insurance benefits for early retirement programs, and portions of employee cost of living raises that come out of existing appropriations. The only ways the department has to meet these obligations is to: 1) delay maintenance and repair which increases the backlog and 2) reduce the size of our facility maintenance staff through attrition. Many of our facilities are receiving only a fraction of the daily maintenance support needed to adequately protect the state's investment.

Current appropriations also restrict the civil engineers at the 2 air bases in maintaining base facilities, utilities, mechanical systems, roads, ramps, grounds and the total base infrastructure. The continued decline in resources makes it more difficult to maintain and operate the bases at the level expected to reach maximum efficiency and command expectations. Both bases have insufficient maintenance personnel to get ahead of the backlog. They both are manned at approximately 75% of their authorized maintenance positions. Those personnel must concentrate on daily routine operations and maintenance. The employment of summer student workers has helped to some degree but only with routine daily maintenance.

Current appropriations restricted our ability to continue a significant portion of this program - the **reenlistment bonus**. Because that appropriation remained at the "same level" or was reduced in the biennium following enactment, we were forced to suspend new accessions to the program in December of 1991 because our projected future obligations could not be met without increases in the appropriation each year. This caused significant morale problems among members of the National Guard at the time of suspension. Maintaining authorized strength levels requires an aggressive recruiting program to bring new members into the National Guard and a solid retention program to keep people in the National Guard after their initial term of enlistment expires.

AGENCY STRATEGIES:

During the last 3 bienniums, the department has been a no growth agency. The total agency appropriation at the beginning of the F.Y. 1991, when the enlistment incentives was fully funded, the total base for the department was \$9,454,000. The base at the beginning of F.Y. 1996 is projected to be \$9,337,000 or \$9,598,000 if additional dollars for assessments are appropriated. The projected F.Y. 1996 base is 98% of our beginning base 5 years ago. We have had to fund early retirements, cost of living increases, significant workers compensation costs and new facility costs all with declining resources. With the closing of 12 facilities in F.Y. 1993 and reductions in National Guard troop strength, we are trying to live within our current base by reorganizing our facilities maintenance program. Increase emphasis on safety and occupational health will hopefully

AGENCY: Military Affairs, Department of
(Continuation)

help to minimize workers compensation costs that have significantly impacted our budget in previous years.

Recruiting and retaining National Guard members is becoming more difficult because of a declining target population in certain geographical areas. Retaining the enlistment incentives is critical to achieving our strength and military readiness goals. Our recruiters continually tell us that the tuition reimbursement program is THE essential tool they offer to prospective enlistees. Even though our strength is below our target, we are certain that we would be much lower without these incentives. We are studying the possibility of redirecting the resources formerly dedicated to the reenlistment bonus portion of the incentives program to another type of inducement that will improve our performance in recruiting of females, minorities, hard skill specialties and in geographical areas of critical strength shortfalls.

REVENUE SUMMARY:

The department receives federal funds to support some activities in the Maint-Training Facilities program only. Those funds, accounted for in the 30 fund, are provided through a federal-state cooperative funding agreement for operations and maintenance costs at the following locations:

- Training facilities at Camp Ripley (100% federal).
- Logistical support facilities at Camp Ripley (75% federal/25% state).
- Aviation facility located in St. Paul (75% federal/25% state).
- Several vehicle maintenance facilities statewide (75% federal/25% state).
- The 2 Air National Guard bases in the Twin Cities and Duluth (75% federal/25% state).

A small amount of non-dedicated General Fund revenue is generated in the General Support budget program as a result of timber sales at Camp Ripley but does not accrue to the benefit of the department.

SUMMARY OF BUDGET REQUEST:

No agency initiatives are included in this budget request. Adjustments to the base are included because of assessments in 4 locations and increases in rent paid to the department of Administration, the Minnesota State Armory Building Commission and the Duluth Airport Authority.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS

PROGRAM RESOURCE ALLOCATION:	Est.			FY 1996			FY 1997		
	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MAINT-TRAINING FACILITIES	17,350	18,609	28,755	28,592	28,807	28,807	28,658	28,779	28,779
GENERAL SUPPORT	1,521	2,012	1,841	1,855	1,855	1,855	1,868	1,868	1,868
ENLISTMENT INCENTIVES	2,411	2,224	3,077	2,351	2,351	2,351	2,351	2,351	2,351
TOTAL EXPENDITURES BY PROGRAM	21,282	22,845	33,673	32,798	33,013	33,013	32,877	32,998	32,998
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	9,318	9,550	10,120	9,337	9,552	9,552	9,416	9,537	9,537
STATUTORY APPROPRIATIONS:									
GENERAL	401	320	400	400	400	400	400	400	400
SPECIAL REVENUE		277	361	361	361	361	361	361	361
FEDERAL	11,563	12,698	22,792	22,700	22,700	22,700	22,700	22,700	22,700
TOTAL FINANCING	21,282	22,845	33,673	32,798	33,013	33,013	32,877	32,998	32,998
FTE BY EMPLOYMENT TYPE:									
REGULAR	326.5	317.7	317.7		317.7			317.7	
TEMP/SEAS/PART_TIME	13.0	8.5	8.5		8.5			8.5	
OVERTIME	13.2	13.0	13.0		13.0			13.0	
TOTAL FTE	352.7	339.2	339.2		339.2	339.2		339.2	339.2

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

AGENCY: MILITARY AFFAIRS

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	33,673	33,673	10,520	10,520	361	361	22,792	22,792
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<134>	<134>	<134>	<134>				
APPROPRIATIONS CARRIED FWD	<726>	<726>	<726>	<726>				
DOCUMENTED RENT/LEASE INC/DEC	77	156		77				
FEDERAL RECEIPTS	<92>	<92>					<92>	<92>
SUBTOTAL BASE ADJ.	<875>	<796>	<783>	<704>			<92>	<92>
CURRENT SPENDING	32,798	32,877	9,737	9,816	361	361	22,700	22,700

1996-97 Biennial Budget

PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

PROGRAM DESCRIPTION:

The Adjutant General is statutorily charged with the operation, care and preservation of existing facilities and installations on all state military reservations as noted above. This is accomplished with a combination of state general fund dollars and federal dollars in the form of reimbursements (see "From Federal Funds" in the table above). These facilities are used by the Army and Air National Guard for military training, administration, logistical support and state emergency operations and are available for community use when not needed for military purposes.

These facilities have operating, maintenance and repair costs. When dollars are not sufficient to meet all maintenance and repair requirements, a backlog list of maintenance and repair items (BMAR) is developed. Identification of the backlog is not complete and accurate in all cases. To develop an accurate picture of the condition of all our facilities, each one must be individually surveyed and the data recorded using appropriate software. Containment and reduction of that backlog is a major department objective in striving to reach the first goal noted above.

The management of department facilities and the maintenance and repair program is the responsibility of the Facilities Management Officer for Army National Guard facilities and base civil engineers for the Air National Guard Bases in Duluth and Twin Cities. National Guard facilities are maintained and repaired using a combination of federal and state dollars. The state is totally responsible for the Operation, maintenance and repair of armory facilities.

The types and number of facilities served by this budget program are:

- 60 armories (training and community centers) statewide
- 17 organizational maintenance shops and 5 vehicle storage buildings
- 2 Air National Guard bases (Twin Cities and Duluth)
- An Army Aviation Support Facility in St. Paul at Holman Field.
- Training facilities at the 53,000 acre military reservation at Camp Ripley.
- Several logistical facilities at Camp Ripley

PROGRAM STATUS:

Because The Adjutant General is charged by statute to provide and maintain facilities for the National Guard, he must also determine how many, what size and what type of facilities are needed. In addition to the need for military training, our armory facilities are also a community center type facility in many communities. They also serve as a base of operations for state emergency operations. The Adjutant General is committed to maintaining armory facilities in as many communities as are needed, first for federal training needs and second for community support needs. The current number (60) is adequate for the current Army National Guard force structure. Should we suffer further, significant force reductions, we may study the possibility of more armory closings - this is unlikely at this time.

Training, administrative and logistical support facilities must first meet organizational needs of the National Guard. Certain sizes and types of military organizations and units have unique facility needs. For example, units occupying armories in the northwestern part of the state recently received updated armored vehicles. This required additional training, storage and maintenance space at each armory requiring renovation and expansion of each armory. Reorganizations seldom require armory expansion, however, in some instances, sweeping organizational changes require shifting of certain units to facilities that accommodate increases in authorized strength or equipment. Changes in aircraft or military missions within the Air National Guard often require facility modification.

With the continuing reduction in the defense budget, federal dollars for training support of the reserve components is being reduced significantly. There is going to be an increased emphasis on simulator training in both the Army and Air National Guard that requires upgrade of our training facilities.

Many of our armory buildings are in excess of 50 years old. There are numerous facility related issues to deal with if we want to continue to efficiently use these facilities for their intended purpose:

- Safety, health and other regulatory concerns such as asbestos abatement, kitchen remodeling, parking lot replacement, and sidewalk replacement. Federally mandated phase out of chlorofluorocarbons and related refrigerants is already consuming additional man-hours and resources. Within the next few years, major costs will be incurred as air conditioning equipment is changed out to the new environmentally approved refrigerants. The confined space and lockout tag out programs are other examples of OSHA programs that require training of workers and take resources and time.
- New federal accessibility standards, i.e. Americans with Disability Act. Our accessibility requirements were determined by *Access 92*, a program managed by the Department of Administration. Although money to begin our movement toward compliance is not part of our operating budget (provided by department of Administration), the disability access issue is considered a major facilities management issue.
- Federal mandates requiring underground tank removal and/or replacement by the late 1990s.
- Reduction in the percentage of federal support for Air National Guard and some Camp Ripley facilities will require increased support with state dollars if our goal is to be realized.
- Continuing reductions in state support necessitated closing of 12 armories in 1992. Because of rising employee and operational costs, routine daily maintenance support at many facilities has been cut back by nearly 50% in some instances with no significant reduction in maintenance requirements or customer expectations.

As noted previously, our armory facilities are often a key facility in communities that are available for community use when not being used for military purposes. Trade shows, craft shows, weddings, community education activities, school sports programs, auctions, senior citizen walking, Headstart and driver license examining are just a few of the representative uses by the community. Because of this commitment to the community, our facilities must be accessible to all members of the community, including people with disabilities. A significant amount of dollars are going to be required over the next several years to bring us into compliance with requirements of the Americans with Disabilities Act.

PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of
(Continuation)

PLANNED RESULTS:

We have established goals and objectives to help us.

- Maintain and operate current Army and Air National Guard training and administrative facilities to meet organizational and customer needs (M.S. 190.11, M.S. 190.16).
- Develop and implement a comprehensive energy management plan (M.S. 190.11).
- Insure facilities comply with federal and state health, safety and other regulatory standards.

Objectives that will help the department move toward our overall goals are:

1. Reduce backlog of maintenance and repair (BMAR) by 5% each year.
2. Maintain all facilities to meet Building Owners and Managers Association (BOMA) standards (\$4.25/sf).
3. Develop and execute a comprehensive energy monitoring and cost management plan by F.Y. 1997.

BUDGET AND REVENUE SUMMARY:

Summary of the agency plan is as follows:

- The plan provides for an increase in the air base runway use (lease) agreements \$7,000 each fiscal year of the biennium. The increase will raise the current annual amount from \$9,375 to \$16,500. In F.Y. 1998 and F.Y. 1999 the runway use fee will increase to \$22,000 per annum.
- The plan provides an increase in rent paid to the Minnesota State Armory Building Commission (MSABC) due the addition of two new Training and Community Centers (armories) in Inver Grove Heights (F.Y. 1996) and Stillwater (F.Y. 1997). The Inver Grove Heights facility is the last facility constructed as a result of the closing of the downtown Minneapolis Armory a number of years ago. The Stillwater facility will replace the existing downtown Stillwater armory facility which will be offered to the city.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: MAINT-TRAINING FACILITIES

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	. Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
CAMP RIPLEY/HOLMAN	8,032	8,916	10,451	10,367	10,367	10,367	10,367	10,367	10,367
ARMORY MAINTENANCE	4,805	5,028	13,200	13,114	13,329	13,329	13,180	13,301	13,301
AIR BASE MAINT-TWIN CITIES	1,733	1,782	1,963	1,963	1,963	1,963	1,963	1,963	1,963
AIR BASE MAINT-DULUTH	2,780	2,883	3,141	3,148	3,148	3,148	3,148	3,148	3,148
TOTAL EXPENDITURES BY ACTIVITY	17,350	18,609	28,755	28,592	28,807	28,807	28,658	28,779	28,779
AGENCY PLAN ITEMS:			FUND						
TCAAP SEWER ASSESSMENTS			GEN		109				
ROSEMOUNT ASSESSMENTS			GEN		57			121	
PARK RAPIDS ASSESSMENTS			GEN		9				
MONTEVIDEO ASSESSMENTS			GEN		40				
TOTAL AGENCY PLAN ITEMS					215			121	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	5,435	5,594	5,502	5,431	5,646	5,646	5,497	5,618	5,618
STATUTORY APPROPRIATIONS:									
GENERAL	352	320	400	400	400	400	400	400	400
SPECIAL REVENUE		277	361	361	361	361	361	361	361
FEDERAL	11,563	12,418	22,492	22,400	22,400	22,400	22,400	22,400	22,400
TOTAL FINANCING	17,350	18,609	28,755	28,592	28,807	28,807	28,658	28,779	28,779
FTE BY EMPLOYMENT TYPE:									
REGULAR	301.7	294.5	294.5		294.5			294.5	
TEMP/SEAS/PART_TIME	12.8	8.4	8.4		8.4			8.4	
OVERTIME	13.2	13.0	13.0		13.0			13.0	
TOTAL FTE	327.7	315.9	315.9		315.9	315.9		315.9	315.9

1996-97 Biennial Budget

BUDGET ACTIVITY: Camp Ripley/Holman
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity includes daily routine maintenance and operating costs at Camp Ripley and the Army Aviation Support Facility at the St. Paul Downtown Airport (Holman Field).

- **Camp Ripley** is a 53,000 acre state owned year-round military reservation and training facility located 7 miles north of Little Falls. It is the primary training and mobilization site for the 9,200 members of the Minnesota Army National Guard and, with the improvements to its runways, is being used more frequently as a training location for Air National Guard aircraft. Camp Ripley is also used by troops from other states and troops from the active forces. Camp Ripley is designated by the National Guard Bureau as the primary National Guard Winter Training site in the United States. The troop housing area can support more than 12,000 troops during the summer months and approximately 2,500 during cold weather months. Camp Ripley has facilities that provide the supply, maintenance and off-duty recreation required by units training at the site. Camp Ripley also has a superb 5,000 foot runway capable of handling all type of military, commercial and tactical aircraft. A 3,500 foot dirt tactical runway allows the Air National Guard to utilize the field. The airfield will soon be equipped with an Instrument Landing System (ILS) being installed as a training project by the Minnesota Air National Guard.

The employees that support the Camp Ripley Training Site are primarily state employees whose salaries and association support costs are reimbursed by the federal government at a 100% or 75% ratio. The cost sharing is accomplished through a federal-state cooperative funding agreement.

- **Holman Field** is the historical name for the St. Paul Downtown Airport which was the birthplace of the Minnesota Air National Guard. An armory and the Army Aviation Support Facility are co-located there in a single large hanger facility. The facility is the training and operational base for aviation elements of the Minnesota Army National Guard. The facility supports helicopter and fixed-wing aircraft owned by the federal government and operated by National Guard personnel. This is also the base for air operations in support of state emergency duty. Approximately 575 National Guard personnel are authorized to training the facility.

The routine maintenance and security of the entire facility is provided by 5.8 (FTE) state employees. Because the facility is a combined armory/flight support facility, the employee costs, maintenance costs and operating costs are reimbursed by the federal government at a 75% ratio. The support of the armory portion of the building is a total state responsibility with no federal support. The cost sharing is accomplished through a federal-state cooperative funding agreement.

BUDGET ISSUES:

The cost sharing is accomplished through a federal-state cooperative funding agreement. Although this activity is not a significant part of the overall budget, the ability of the state to provide it 25%

share is essential to continued operations. As our budget remains static or declines, our ability to match a federal dollar amount that keeps adjusting for increased costs and inflation is diminished,

REVENUE:

This activity does not generate dedicated or non-dedicated revenue.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: MAINT-TRAINING FACILITIES
ACTIVITY: CAMP RIPLEY/HOLMAN

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	5,537	6,067	6,210	6,195	6,195	6,195	6,195	6,195	6,195
EXPENSES/CONTRACTUAL SRVCS	809	906	1,511	1,511	1,511	1,511	1,511	1,511	1,511
MISC OPERATING EXPENSES	574	632	829	813	813	813	813	813	813
SUPPLIES/MATERIALS/PARTS	1,111	1,294	1,851	1,848	1,848	1,848	1,848	1,848	1,848
CAPITAL EQUIPMENT	1								
OTHER		17							
SUBTOTAL STATE OPERATIONS	8,032	8,916	10,401	10,367	10,367	10,367	10,367	10,367	10,367
LOCAL ASSISTANCE			50						
TOTAL EXPENDITURES	8,032	8,916	10,451	10,367	10,367	10,367	10,367	10,367	10,367
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	936	917	997	913	913	913	913	913	913
STATUTORY APPROPRIATIONS:									
GENERAL	352	320	400	400	400	400	400	400	400
SPECIAL REVENUE		212	286	286	286	286	286	286	286
FEDERAL	6,744	7,467	8,768	8,768	8,768	8,768	8,768	8,768	8,768
TOTAL FINANCING	8,032	8,916	10,451	10,367	10,367	10,367	10,367	10,367	10,367
FTE BY EMPLOYMENT TYPE:									
REGULAR	141.5	140.7	140.7		140.7			140.7	
TEMP/SEAS/PART_TIME	11.6	7.3	7.3		7.3			7.3	
OVERTIME	1.3	1.0	1.0		1.0			1.0	
TOTAL FTE	154.4	149.0	149.0		149.0	149.0		149.0	149.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Armory Maintenance
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity supports the daily maintenance, operating costs and minor repairs for 60 armories statewide. Daily custodial type maintenance is provided with the minimum essential staff, in many cases by a 50% FTE person. Armories are used for: 1) Administrative and logistical support of National Guard, including training activities, 2) stationing and support of National Guard troops during calls to state emergency duty, and 3) other governmental agencies and community organizations or individuals.

The performance of maintenance and repair on facilities is based on 3 factors: 1) the type of facility and the amount of use it will get, 2) the availability of people to accomplish the work and 3) the availability of funds to maintain the facility and the physical plant to an acceptable standard and as required by the occupants.

Maintenance can be defined by types. Maintenance is either scheduled, unscheduled, preventive, deferred or backlog. Scheduled maintenance is based on operating system equipment and what is required historically to maintain that equipment so it does not fail. If dollars were adequate, the maintenance community could, through life cycle costing and historical run times, have a preventive maintenance program that would insure that equipments and components are never deferred but maintained on schedule.

Backlogs were initially developed as budget management tool to allow fiscal managers to manage cash flow of a business. When cash flow is restricted, maintenance is deferred and when the cash flow is greater, projects on backlog would be accomplished. Management of the department's backlog exactly parallels that of private business. When we have money over and above our operating costs, we can start to reduce the backlog. When we don't have money, the backlog grows.

Over time, maintenance and budget managers could predict maintenance costs for their operations based on the amount of square footage within their operations. The major problem with this management practice versus life cycle costing is if you don't have replacement costs figured and your square foot cost is too low, your backlog continues to grow. Reduction of the backlog will come only after recalculating your operational and replacement costs and then adding a certain amount to reduce the backlog.

Most of the Army National Guard backlog exists in our older armory facilities. These facilities are located statewide.

BUDGET ISSUES:

In the facilities business, it is not necessarily good to spend less money. It often costs more to operate and/or renovate facilities efficiently when maintenance and repair of the physical plant is neglected. There are several ways to reach our objective of increasing our dollar input to facilities operations, maintenance and repair.

- We request continued state support through the biennial budget process.
- We seek additional dollars through capital budget process and the Capital Asset Preservation and Replacement Account (CAPRA).
- We seek efficiencies in energy delivery systems, by replacing obsolete heating, ventilating, air conditioning systems.
- We try to reduce fixed costs (personnel costs - through attrition) which will free more dollars for materials.
- Study facility consolidation to reduce the square footage served.

The closing of 12 armory facilities in F.Y. 1993 has helped reduce the maintenance and repair backlog and over all operating costs, however, the impact is not significant because of the size of the backlog.

Our new armory construction replaces existing facilities and sometime is an additional facility. We have also found in new facilities construction that new air handling systems and other code related issues have increased our fuel and utility consumption per square foot. Air exchange requirements for rifle ranges in new armories make them an expensive training aid. Central air conditioning is now being installed in the newer facilities that was non-existent in the facilities being replaced. Armory operating costs are 100% state supported. We are continually looking at ways to reduce these costs.

REVENUE:

This activity generates no dedicated or non-dedicated revenue.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: MAINT-TRAINING FACILITIES
ACTIVITY: ARMORY MAINTENANCE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,505	2,364	2,216	2,216	2,216	2,216	2,216	2,216	2,216
EXPENSES/CONTRACTUAL SRVCS	762	1,013	3,721	3,685	3,685	3,685	3,751	3,751	3,751
MISC OPERATING EXPENSES	846	965	932	932	1,147	1,147	932	1,053	1,053
SUPPLIES/MATERIALS/PARTS	567	495	774	774	774	774	774	774	774
CAPITAL EQUIPMENT		18	7	7	7	7	7	7	7
OTHER		48	5,500	5,500	5,500	5,500	5,500	5,500	5,500
SUBTOTAL STATE OPERATIONS	4,680	4,903	13,150	13,114	13,329	13,329	13,180	13,301	13,301
LOCAL ASSISTANCE	125	125	50						
TOTAL EXPENDITURES	4,805	5,028	13,200	13,114	13,329	13,329	13,180	13,301	13,301
AGENCY PLAN ITEMS:									
TCAAP SEWER ASSESSMENTS					109				
ROSEMOUNT ASSESSMENTS					57			121	
PARK RAPIDS ASSESSMENTS					9				
MONTEVIDEO ASSESSMENTS					40				
TOTAL AGENCY PLAN ITEMS					215			121	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,938	4,060	3,851	3,857	4,072	4,072	3,923	4,044	4,044
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		65	75	75	75	75	75	75	75
FEDERAL	867	903	9,274	9,182	9,182	9,182	9,182	9,182	9,182
TOTAL FINANCING	4,805	5,028	13,200	13,114	13,329	13,329	13,180	13,301	13,301

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: MAINT-TRAINING FACILITIES
ACTIVITY: ARMORY MAINTENANCE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
REGULAR	65.4	61.2	61.2		61.2		61.2		
TEMP/SEAS/PART_TIME	.4								
OVERTIME		.1	.1		.1		.1		
TOTAL FTE	65.8	61.3	61.3		61.3	61.3	61.3		61.3

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1996-97 Biennial Budget

BUDGET ACTIVITY: Air Base Maint-Twin Cities
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity includes operating costs, routine maintenance costs and security costs for all buildings, grounds and mechanical systems at the Twin Cities Air National Guard base. The base is located at the Minneapolis-St. Paul International Airport and provides facilities support for the administrative, training and mission essential requirements of the 133rd Airlift Wing.

There are 35 separate structures at the Twin Cities base. The federal government provides federal funds for most of the real property maintenance at this base while the state General Fund provides 25 % of the operating costs and routine maintenance. The federal/state cost sharing agreement includes all heating, air conditioning, electrical service, sanity services, grounds maintenance, road maintenance and janitorial service. State employees perform all these tasks, however their 75 % of their salaries and other support costs are reimbursement by the federal government through a cooperative funding agreement administered by the department headquarters.

Security services are provided at the base by a combination of 100% federally reimbursed state employees and federal active Guard-Reserve employees.

BUDGET ISSUES:

The continuing struggle at this base is for the state to provide an increased level of support (the 25 % share). The base engineer and federal comptroller both tell us that if we can provide more state dollars, they can gain additional federal dollars in the ratio of \$3 federal dollars for each \$1 provided by the state. Because of magnitude of facilities owned and managed by the department statewide, we do not have sufficient resources to increase the state share of base support.

REVENUE:

This activity does not generate any dedicated or non-dedicated revenue.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: MAINT-TRAINING FACILITIES
ACTIVITY: AIR BASE MAINT-TWIN CITIES

ACTIVITY SUMMARY	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,180	1,148	1,291	1,291	1,291	1,291	1,291	1,291	1,291
EXPENSES/CONTRACTUAL SRVCS	134	169	150	150	150	150	150	150	150
MISC OPERATING EXPENSES	216	252	292	292	292	292	292	292	292
SUPPLIES/MATERIALS/PARTS	203	208	230	230	230	230	230	230	230
SUBTOTAL STATE OPERATIONS	1,733	1,777	1,963	1,963	1,963	1,963	1,963	1,963	1,963
LOCAL ASSISTANCE		5							
TOTAL EXPENDITURES	1,733	1,782	1,963	1,963	1,963	1,963	1,963	1,963	1,963
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	294	315	328	328	328	328	328	328	328
STATUTORY APPROPRIATIONS:									
FEDERAL	1,439	1,467	1,635	1,635	1,635	1,635	1,635	1,635	1,635
TOTAL FINANCING	1,733	1,782	1,963	1,963	1,963	1,963	1,963	1,963	1,963
FTE BY EMPLOYMENT TYPE:									
REGULAR	33.7	31.7	31.7		31.7			31.7	
TEMP/SEAS/PART_TIME	.8	1.1	1.1		1.1			1.1	
OVERTIME	.4	.5	.5		.5			.5	
TOTAL FTE	34.9	33.3	33.3		33.3	33.3		33.3	33.3

1996-97 Biennial Budget

BUDGET ACTIVITY: Air Base Maint-Duluth
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity includes operating costs, routine maintenance costs and security costs for all buildings, grounds and mechanical systems at the Duluth Air National Guard base. The base is located at the Duluth International Airport and provides facilities support for the administrative, training and mission essential requirements of the 133rd Airlift Wing.

There are 30 separate structures at the Duluth base. The federal government provides federal funds for most of the real property maintenance at this base while the state General Fund provides 25% of the operating costs and routine maintenance. The federal/state cost sharing agreement includes all heating, air conditioning, electrical service, sanity services, grounds maintenance, road maintenance and janitorial service. State employees perform all these tasks, however their 75% of their salaries and other support costs are reimbursement by the federal government through a cooperative funding agreement administered by the department headquarters.

Security services are provided at the base by a combination of 100% federally reimbursed state employees and federal active Guard-Reserve employees. Fire fighting/crash rescue services are also provided at this base by state employees who salaries and associated support cost are reimbursed 100% by the federal government.

BUDGET ISSUES:

The continuing struggle at this base is for the state to provide an increased level of support (the 25% share). The base engineer and federal comptroller both tell us that if we can provide more state dollars, they can gain additional federal dollars in the ratio of \$3 federal dollars for each \$1 provided by the state. Because of magnitude of facilities owned and managed by the department statewide, we do not have sufficient resources to increase the state share of base support.

REVENUE:

This activity does not generate any dedicated or non-dedicated revenue.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: MAINT-TRAINING FACILITIES
ACTIVITY: AIR BASE MAINT-DULUTH

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,112	2,152	2,372	2,372	2,372	2,372	2,372	2,372	2,372
EXPENSES/CONTRACTUAL SRVCS	140	146	133	140	140	140	140	140	140
MISC OPERATING EXPENSES	290	301	306	306	306	306	306	306	306
SUPPLIES/MATERIALS/PARTS	238	284	330	330	330	330	330	330	330
SUBTOTAL STATE OPERATIONS	2,780	2,883	3,141	3,148	3,148	3,148	3,148	3,148	3,148
TOTAL EXPENDITURES	2,780	2,883	3,141	3,148	3,148	3,148	3,148	3,148	3,148
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	267	302	326	333	333	333	333	333	333
STATUTORY APPROPRIATIONS:									
FEDERAL	2,513	2,581	2,815	2,815	2,815	2,815	2,815	2,815	2,815
TOTAL FINANCING	2,780	2,883	3,141	3,148	3,148	3,148	3,148	3,148	3,148
FTE BY EMPLOYMENT TYPE:									
REGULAR	61.1	60.9	60.9		60.9			60.9	
OVERTIME	11.5	11.4	11.4		11.4			11.4	
TOTAL FTE	72.6	72.3	72.3		72.3	72.3		72.3	72.3

PROGRAM: General Support
AGENCY: Military Affairs, Department of

PROGRAM DESCRIPTION:

The General Support budget program provides the leadership, administrative and support services for the department. It also includes the operating costs for the department headquarters in St. Paul. There are 3 activities within this program: 1) Administrative Services, 2) Auxiliary Services and 3) STARBASE Minnesota.

More specifically, the general support program includes services in the following areas.

1. **Leadership and policy development.** The department's leadership develops policy and supervises the execution of the facilities maintenance program discussed in detail in the Maintenance Facilities section of this budget. An important function, of the department leadership is to work closely with the Minnesota congressional delegation in Washington to secure federal funding for the construction of replacement facilities.
2. **Administrative and technical support** is provided within this program and includes all employee management and payroll services, processing of payments of operating costs for most facilities, budget preparation and annual performance reporting, accounting functions, processing of all federal receipts and payments, internal audit and control functions, and all other tasks associated with the business of state government.
3. **Support of National Guard members called to state active duty** during emergencies is another important function performed within this program. It is required by statute that the National Guard be available for order to state active duty by the governor to support local law enforcement authorities in time of civil disorder, natural disaster or other emergency (M.S. 190.02). State dollars that pay personnel costs and logistical support costs for state active duty operations are paid through this budget program (M.S. 192.49, subd. 1, M.S. 192.51, subd 2, and M.S. 192.52). The training and equipping of National Guard personnel is totally funded with federal dollars. Millions of dollars worth of federally owned military aircraft and other equipment is available to the governor to support the state in times of emergency. There is no expense to the state for this equipment except for operating costs, repair or replacement if damaged during state emergency operations. A well trained, well equipped National Guard is a tremendous asset to the people of Minnesota. It has responded quickly and effectively to the governors call on many occasions to assist and protect citizens of Minnesota.
4. **STARBASE** is a non-profit corporation whose operations are currently funded by the federal government on a reimbursable basis. The purpose of STARBASE is the conduct of a number of education programs that are designed to increase youth awareness of mathematics, science and technology by using aviation and aerospace curriculum targeted to the elementary level. The program, authorized by congress, is being funded through the department of defense, specifically the National Guard Bureau in Washington. There are several states with STARBASE programs.

PROGRAM STATUS:

Even though there has been a reduction in the number of National Guard personnel authorized in this state in the last 2 years, we do not see a corresponding reduction in the administrative workload. The closure of 12 armory facilities in F.Y. 1993 did not significantly reduce the number of state employees supporting the National Guard - we still have just over 360 employees to serve.

Because National Guard assistance to local authorities is always in response to unplanned, emergency situations, measurement of our performance is difficult. Numbers of times called to duty, numbers of personnel and equipment provided, how quickly we can assemble a force are all or how much did it cost are all excellent pieces of information. We do not, however, consider them measures of our effectiveness. The best evaluation of how successful we were is an intangible measure: We were called by the governor, we responded with appropriate numbers of trained personnel and equipment and protected the life and property of Minnesota citizens during a critical time.

PLANNED RESULTS:

The need for replacement or major expansion of facilities is an ongoing process. Some of the factors that are considered are:

- age and condition of the facility;
- a continued need for a facility in that geographical location;
- demographic studies that show that the population in the geographical area can support recruiting operations;
- a local government or school district that is willing to support approximately 12.5% of the construction cost;
- to a lesser degree, reorganization of units to a different type may require significant facility expansion.

Armory replacement is now a 5-7 year process from the time a unit of local government or school district makes a commitment to a new facility. The department now manages 60 armories and under those time constraints, total replacement will not be possible until well into the next century. The uncertainty of federal funding is the single most limiting factor in our long range facility replacement program. Modern construction techniques will significantly increase the life of our newer facilities.

Service to our employees remains one of our top priorities. The movement into the new statewide systems upgrade will be planned and implemented within this program. We view this project as a challenge to our workers involved and hope it will enhance the services we now provide our employees.

Our response to emergency situations is strictly a reaction to unplanned events. Trained personnel and adequate equipment are always needed and are available because of the military requirements for the National Guard. In most instances, the lack of resources at the local government level causes a call to the governor for assistance.

BUDGET AND REVENUE SUMMARY:

We are making a base adjustment due to an increase in rent for the Veterans Service Building. No other significant budget issues are associated with this program. There is General Fund revenue generated by this program that is described on the Auxiliary Services activity page.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: GENERAL SUPPORT

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ADMINISTRATIVE SERVICES	1,445	1,464	1,466	1,480	1,480	1,480	1,493	1,493	1,493
AUXILIARY SERVICES	76	268	75	75	75	75	75	75	75
STARBASE MINNESOTA		280	300	300	300	300	300	300	300
TOTAL EXPENDITURES BY ACTIVITY	1,521	2,012	1,841	1,855	1,855	1,855	1,868	1,868	1,868
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,472	1,732	1,541	1,555	1,555	1,555	1,568	1,568	1,568
STATUTORY APPROPRIATIONS:									
GENERAL	49								
FEDERAL		280	300	300	300	300	300	300	300
TOTAL FINANCING	1,521	2,012	1,841	1,855	1,855	1,855	1,868	1,868	1,868
FTE BY EMPLOYMENT TYPE:									
REGULAR	23.8	22.2	22.2		22.2		22.2		22.2
TEMP/SEAS/PART_TIME	.2	.1	.1		.1		.1		.1
TOTAL FTE	24.0	22.3	22.3		22.3	22.3	22.3		22.3

1996-97 Biennial Budget

BUDGET ACTIVITY: Administrative Services
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

The Adjutant General, as the military chief of staff to the governor, is the department head. He, the department's Executive Director and other key members of his staff are charged with policy development, supervision and support of the Minnesota National Guard. Areas of support include, training, maintenance, new construction, recruiting, operational readiness, and personnel. This activity also provides military fund allowances (M.S. 192.49, Subd. 3) and support for state emergency operations when called by the governor (M.S. 190.02).

This activity is served by 20 state employees that provide management and clerical support to the department headquarters and National Guard units in the field. Some of the administrative and management services provided by these 20 employees include: 1) senior leadership and management, 2) budget and accounting functions, 3) processing of claims under the state/federal cooperative funding agreement, 4) internal audit and controls, 4) payroll and logistical support to personnel called to state active duty, 6) employee support services, 7) processing payments for departmental operating costs, 8) active liaison with the Minnesota congressional delegation to gain federal dollars for new construction.

The remaining 93 employees in the department headquarters are federal employees who support the military activities of the army and air National Guard.

This activity also handles all receipts from land management practices at Camp Ripley including sales of timber. The Department of Natural Resources (DNR) assists the department in forest management and wildlife management at Camp Ripley.

BUDGET ISSUES:

This activity is not usually effected by changes in the military structure of the National Guard, however a static base level while personnel costs increase causes us not to replace some employees when a vacancy occurs. This increases the pressure on other employees to provide the same level of service.

REVENUE:

This activity generates non-dedicated revenue from the sale of timber at Camp Ripley as follows:

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997

Type of Revenue:					
Non-dedicated - Gen'l	\$36	\$35	\$50	\$50	\$50

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: GENERAL SUPPORT
ACTIVITY: ADMINISTRATIVE SERVICES

ACTIVITY SUMMARY	Est.			FY 1996			FY 1997		
	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	1,025	961	1,028	1,028	1,028	1,028	1,028	1,028	1,028
EXPENSES/CONTRACTUAL SRVCS	325	354	286	300	300	300	313	313	313
MISC OPERATING EXPENSES	33	40	46	46	46	46	46	46	46
SUPPLIES/MATERIALS/PARTS	11	20	22	22	22	22	22	22	22
CAPITAL EQUIPMENT	4	9	8	8	8	8	8	8	8
OTHER		33	30	30	30	30	30	30	30
SUBTOTAL STATE OPERATIONS	1,398	1,417	1,420	1,434	1,434	1,434	1,447	1,447	1,447
AIDS TO INDIVIDUALS	1	1							
LOCAL ASSISTANCE	46	46	46	46	46	46	46	46	46
TOTAL EXPENDITURES	1,445	1,464	1,466	1,480	1,480	1,480	1,493	1,493	1,493
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,445	1,464	1,466	1,480	1,480	1,480	1,493	1,493	1,493
TOTAL FINANCING	1,445	1,464	1,466	1,480	1,480	1,480	1,493	1,493	1,493
FTE BY EMPLOYMENT TYPE:									
REGULAR	23.8	22.2	22.2		22.2		22.2		
TEMP/SEAS/PART_TIME		.1	.1		.1		.1		
TOTAL FTE	23.8	22.3	22.3		22.3	22.3	22.3		22.3

1996-97 Biennial Budget

BUDGET ACTIVITY: Auxiliary Services
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity includes payment of personnel and support costs for state emergency duties performed by members of the National Guard. To date in C.Y. 1994, 135 people have performed state active duty either in support of state emergency operations or nuclear power plant exercises.

BUDGET ISSUES:

Because National Guard response to state emergencies is reactionary, a small base is appropriated each year. Should this appropriation not be used, it reverts to the General Fund. If the annual appropriation is not sufficient, next years appropriation may be used until exhausted at which point an we request additional funds through the department of finance from an open appropriation.

REVENUE:

This activity generates no dedicated or non-dedicated revenue.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: GENERAL SUPPORT
ACTIVITY: AUXILIARY SERVICES

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	24	264	60	60	60	60	60	60	60
EXPENSES/CONTRACTUAL SRVCS	16								
SUPPLIES/MATERIALS/PARTS	19	4	15	15	15	15	15	15	15
OTHER	17								
SUBTOTAL STATE OPERATIONS	76	268	75	75	75	75	75	75	75
TOTAL EXPENDITURES	76	268	75	75	75	75	75	75	75
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	27	268	75	75	75	75	75	75	75
STATUTORY APPROPRIATIONS:									
GENERAL	49								
TOTAL FINANCING	76	268	75	75	75	75	75	75	75
FTE BY EMPLOYMENT TYPE:									
TEMP/SEAS/PART_TIME	.2								
TOTAL FTE	.2								

1996-97 Biennial Budget

BUDGET ACTIVITY: STARBASE Minnesota
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

The STARBASE program is a 5-7 day program for at-risk youth, 6 through 18 years of age, to provide education and training in science, mathematics, and technology. Instruction may include other related components such as instruction in the biological and environmental sciences, the physiological effects of drug use on living organisms, and enhanced personal achievement within the content of the approved math and science based curriculum. The objectives of STARBASE are:

1. To enhance the students knowledge, motivation, and interest in the four programs elements of STARBASE: Science, mathematics, technology, and holistic personal growth.
2. To promote a strong educational base in the STARBASE elements beginning in the elementary grades and continuing through high school.
3. To emphasize teacher training in mathematics, science, and technology.
4. To encourage and create partnerships with the education community and industry as well as with local, state, and federal government.
5. To create an educational resource center in support of STARBASE Minnesota.
6. To develop self-esteem, positive attitudes, goal setting and drug demand reduction skills in the students that STARBASE Minnesota serves.
7. To improve the problem-solving and decision making skills of the students that STARBASE Minnesota serves.

The "school house" is located at the Twin Cities Air National Guard base is in operation during the normal school year although. Students are brought to that location to participate in the 2 week curriculum. The curriculum can also be transported to individual schools or school districts for incorporation into their own programs. Students from the following schools have participated in the STARBASE program: In St. Paul: Eastside Consolidated, Hayden Heights elementary, North End elementary, Mississippi Creative Arts Magnet, Museum Magnet, Wilder elementary; and in Minneapolis: Washburn High School and Pillsbury Math-Science Magnet.

BUDGET ISSUES:

The federal funding that supports this activity is in the form of total reimbursement for employee and operating costs. There is no state General Fund money dedicated to this activity. At the end of the F.F.Y. 1996, 9-30-96, federal funding will cease and the program must be self-sustaining through fund raising efforts.

REVENUE:

This activity generates no dedicated or non-dedicated revenue.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: GENERAL SUPPORT
ACTIVITY: STARBASE MINNESOTA

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS			300	300	300	300	300	300	300
LOCAL ASSISTANCE		280							
TOTAL EXPENDITURES		280	300	300	300	300	300	300	300
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
FEDERAL		280	300	300	300	300	300	300	300
TOTAL FINANCING		280	300	300	300	300	300	300	300
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

PROGRAM: Enlistment Incentives
AGENCY: Military Affairs, Department of

PROGRAM DESCRIPTION:

Incentives for Minnesota citizens to join and stay in the National Guard were enacted by the legislature in 1989 (M.S. 192.501). The incentives are in 2 forms: 1) Tuition Reimbursement and 2) Reenlistment Bonus. The tuition reimbursement benefits are extended to dependents of Guard members killed while performing state active duty or federally supported state active service. Members of the National Guard may be eligible for either tuition reimbursement or the reenlistment bonus but cannot receive money from both programs in the same eligibility period. The incentives program is managed by the Soldier Support Group within the department headquarters. That group is comprised of 3 federal employees and the single state (General Fund) employee.

The incentives are described in detail on the activity page.

PROGRAM STATUS:

Maintaining strength in the National Guard is influenced by many factors. Both **recruiting and retention** must be strong to achieve and maintain desired strength levels. Factors that directly affect attainment of strength targets are:

1. **Number of positions authorized for fill in local units.** Each Army and Air National Guard unit has organizational documents that tell local commanders how many people can be members of a local unit. For example, Company A in Wadena may be authorized 140 people. If there are 140 people in that unit, adding more may not be authorized.
2. **Year-end targets established by the National Guard Bureau.** The National Guard Bureau is the headquarters for all Army and Air National Guard units in the United States. Depending on congressional strength limitations, strength attainment targets are given to all states. Generally, those targets cannot be exceeded. In recent years, these targets have had varying affects on maintaining strength, and in some instances, have been difficult to attain.
3. **Numbers of potentially eligible people in a given geographic area.** There are elements of our population eligible for membership simply because of age and gender. As this target population declines, there are fewer eligible people to recruit.
4. **Changing attitudes towards military membership.** Societal attitudes towards military membership often effect the propensity of people to enlist because of pressures from peers, teachers, employers, families and other centers of influence. National Guard recruiters find this is often the most difficult obstacle to overcome even though National Guard membership offers tremendous opportunities over a lifetime.
5. **Opportunities offered by other reserve components in the state or the active armed forces.** All other reserve components and active military forces are seeking basically the same target population. Competition is keen for recruits. Because the training pay for all reserve components is virtually the same, the availability of other benefits is often a primary reason for joining one component over another. Although there are some federally provided incentives in addition to pay, no other active or reserve component in Minnesota can offer such an educational assistance program.

6. **The type of unit in a given local area.** Combat type units and combat service support type units are authorized to enlist only males because of their proximity to the battlefield. This effectively reduces the target population when compared to units that have positions that can be filled either by males or females. There has been some liberalization of position authorizations in recent years.

Reorganization and downsizing over the last 2 years has had a detrimental impact on strength levels. Closing 12 armory facilities because of inadequate appropriations to maintain those facilities has eliminated 12 hometown units and required current members to drive much further to training in many instances. Federally mandated reductions for troop unit authorizations occurred after local decisions were made to close facilities.

The recruiting force has had a difficult time making inroads into the minority community. The propensity for some minority groups to join the active forces is significantly higher than the propensity for that same group to join reserve components. The National Guard continues to put forth special efforts to increase the number of qualified minorities.

In addition to the obvious recruiting benefit of the tuition reimbursement program, another area in which it assists is its use by the officer corp to pursue levels of post secondary education required for career progression. For example, to enter into an officer candidate program requires a minimum of 2 years of post secondary education. Each promotion level requires certain levels of post secondary education, usually measured in numbers of credits obtained. In the near future, to be promoted to the grade of captain will require a 4 year degree.

PLANNED RESULTS:

The ultimate outcome of full utilization of enlistment incentives is to be able to meet the year end assigned strength objectives set by the National Guard Bureau for the Army and Air National Guard. Reaching the year end goal for authorized strength is reasonable goal for the Air National Guard and most often they meet that goal. A goal of 100% of authorized strength may be a long range goal for the Army National Guard, however, intermediate goals, set by the National Guard Bureau are more realistic and intermediate targets to the ultimate goal of 100% of authorized strength. Another of the desired outcomes of the enlistment incentives legislation was to increase the minority and female membership in the National Guard - **improve the diversity.**

BUDGET AND REVENUE SUMMARY:

Because of the suspension of the reenlistment bonus in December of 1991, no new contractual obligations have been incurred since then. We still have contractual obligations to those guard members who reenlisted prior to that date who continue to serve satisfactorily. We must make \$250 annual bonus payments to those people. The last of those contracts will expire in F.Y. 1998. We are able to meet those obligations within current funding levels. We are requesting a reallocation of General Fund dollars, specifically appropriated for reenlistment bonuses, to the tuition reimbursement portion of the budget program. We are reviewing the department rules relating to eligibility for tuition reimbursement to expand eligibility within the limits of the authorizing statutes.

There is no revenue generated with this budget program

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: ENLISTMENT INCENTIVES

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ENLISTMENT INCENTIVES	2,411	2,224	3,077	2,351	2,351	2,351	2,351	2,351	2,351
TOTAL EXPENDITURES BY ACTIVITY	2,411	2,224	3,077	2,351	2,351	2,351	2,351	2,351	2,351
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,411	2,224	3,077	2,351	2,351	2,351	2,351	2,351	2,351
TOTAL FINANCING	2,411	2,224	3,077	2,351	2,351	2,351	2,351	2,351	2,351
FTE BY EMPLOYMENT TYPE:									
REGULAR	1.0	1.0	1.0		1.0			1.0	
TOTAL FTE	1.0	1.0	1.0		1.0	1.0		1.0	1.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Enlistment Incentives
PROGRAM: Enlistment Incentives
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

Tuition reimbursement is extended to National Guard members who are performing their military duties satisfactorily and are attending a post secondary institution as defined in M. S. 136A.15. Amount of reimbursement is limited to an amount equal to 50% of the cost of tuition at a public institution or for a private institution, up to 50% of the cost of tuition for lower division programs in the college of liberal arts at the Twin Cities campus of the University of Minnesota in the most recent academic year. This benefit is also provided to dependents of National Guard members should that National Guard member be killed while performing certain type of military duty.

A reenlistment bonus of \$250 for each year of reenlistment was offered to members serving satisfactorily up to 12-31-91. Due to static or declining appropriations, future obligations could not be guaranteed so the bonus was suspended effective 12-31-91. Members involved in the program at that time will continue to receive their bonus until their current reenlistment term expires.

BUDGET ISSUES:

Because of carry-forward authority in this appropriation, requirements for an increased appropriation are unnecessary. It this carry-forward that has enabled us to continue pay reenlistment bonus obligations when those obligations exceeded our annual appropriation for that purpose. We are asking for reallocation (within the same program) of money specifically appropriated for reenlistment bonuses to tuition reimbursement because amount appropriated in the last biennium exceeds our payment obligations.

Because of uncertainty about the level of participation, we established eligibility rules that were restrictive. Now that a 5 year history of use has been established, we are contemplating liberalization of eligibility rules to make the program available to more guard personnel. We currently are reimbursing tuition for up to and including a 4 year degree and a limited number of medical students. We also are currently reimbursing tuition for credits with an earned grade of "C" or higher.

REVENUE:

This activity generates no dedicated or non-dedicated revenue.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS
PROGRAM: ENLISTMENT INCENTIVES
ACTIVITY: ENLISTMENT INCENTIVES

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	580	473	632	441	441	441	441	441	441
CAPITAL EQUIPMENT		2							
SUBTOTAL STATE OPERATIONS	580	475	632	441	441	441	441	441	441
AIDS TO INDIVIDUALS	1,831	1,749	2,445	1,910	1,910	1,910	1,910	1,910	1,910
TOTAL EXPENDITURES	2,411	2,224	3,077	2,351	2,351	2,351	2,351	2,351	2,351
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,411	2,224	3,077	2,351	2,351	2,351	2,351	2,351	2,351
TOTAL FINANCING	2,411	2,224	3,077	2,351	2,351	2,351	2,351	2,351	2,351
FTE BY EMPLOYMENT TYPE:									
REGULAR	1.0	1.0	1.0		1.0			1.0	
TOTAL FTE	1.0	1.0	1.0		1.0	1.0		1.0	1.0

1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Veterans Affairs, Department of

PROGRAM

PAGE

STATE BENEFITS AND GRANTS

F-410

Benefits Administration
State Soldiers Assistance Program
Education
Vinland National Center
County Veterans Service Officer Operational Improvement Grants

SERVICES

F-424

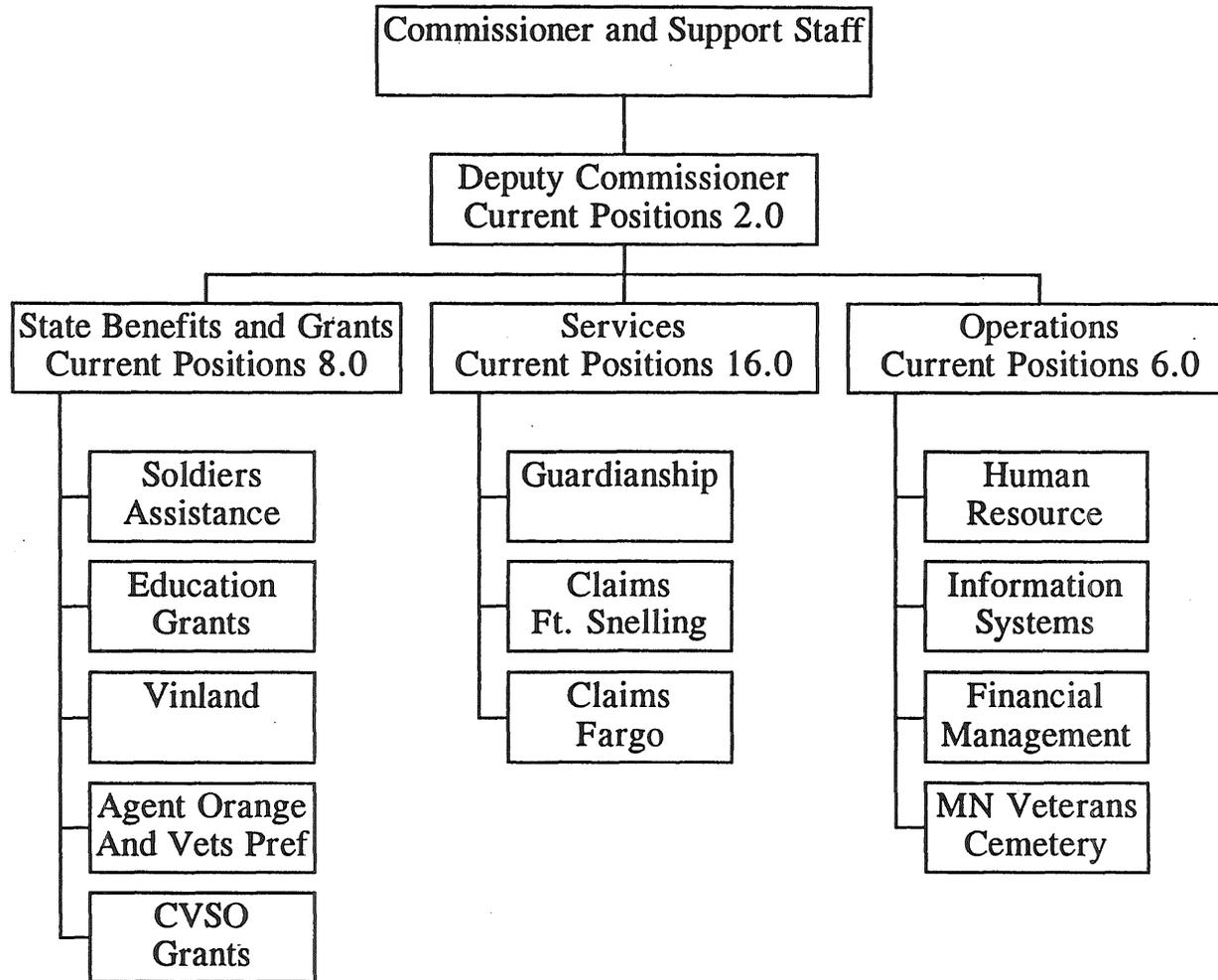
Guardianship Administration
Claims-Fargo
Claims-Ft. Snelling
Guardianship Clients

DEPARTMENTAL OPERATIONS

F-434

Gifts and Donations
Administrative Services
Cemetery Development and Maintenance

**DEPARTMENT OF VETERANS AFFAIRS
ORGANIZATIONAL CHART 7/1/94**



JUNE 30, 1994 FTE EMPLOYEES: 32.0

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Veterans Affairs, Department of

Fund: General

Summary of Agency Actions:

Brief Explanation of Agency Plan:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$3,373	\$3,373	\$6,746
<u>BASE ADJUSTMENT:</u>			
App. Carry Forward	(273)	(273)	(546)
Doc. Rent/Lease	<u>1</u>	<u>5</u>	<u>6</u>
<u>CURRENT SPENDING</u>	\$3,101	\$3,105	\$6,206
<u>AGENCY DECISION ITEMS:</u>			
Veterans Cemetery	125	150	275
<u>AGENCY PLAN</u>	\$3,226	\$3,225	\$6,481
<u>GOVERNOR'S INITIATIVES:</u>			
State Soldiers Assistance	\$600	\$600	\$1,200
GOVERNOR'S RECOMMENDATIONS	\$3,826	\$3,855	\$7,681

The agency plan continues current activities within existing funding and provides for operation of the new state veterans cemetery.

Revenue Summary:

None.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends an alternative level of funding for the department which includes an additional \$1,200,000 for emergency assistance to needy veterans under the State Soldiers Assistance program.

1996-97 Biennial Budget

AGENCY: Veterans Affairs, Department of

AGENCY DESCRIPTION:

The department is organized into 3 program areas: (1) state benefits and grants; (2) services and; (3) departmental operations. These programs all combine to provide state and federal benefits and services to Minnesota's veterans and their dependents. The department was created in 1943 to meet the needs of returning World War II veterans. Since its creation, the department has seen 3 additional generations of veterans: those from the Korean War, the Vietnam War, Southwest Asia (Persian Gulf) War, and other conflicts, such as Haiti and Lebanon.

The department maintains a close working relationship with the United States Department of Veterans Affairs (USDVA), the federal agency which is responsible for providing veterans benefits and services which flow from service in the armed forces of the United States. These benefits are received in a variety of forms, primarily in the areas of health care, educational benefits, home loans and financial compensation and pension benefits. Minnesota veterans are served by 6 USDVA health care facilities located within the state and immediately adjacent thereto. During the last federal fiscal year, the total amount of federal benefits received by Minnesota veterans and their families was in excess of \$600 million dollars.

The department also works closely with the men and women who comprise the Minnesota County Veterans Service Officer (CVSO) system. The 116 CVSO's and their assistants, who are employed by each of Minnesota's 87 counties, are the primary point of contact for veterans and their dependents seeking veterans benefits and services. This local source of personal assistance ensures that veterans are fully informed of and assisted with applications for veterans benefits and services. The department fosters and maintains this relationship through personal contacts, training and educational conferences, seminars and meetings. The department also administers a certification process for CVSOs to ensure that they meet and maintain minimal educational and training standards required to adequately assist veterans in the application process. This application process will be enhanced through the development of a computer network between all functions of the department and the CVSO system. Funding for this program has been made available through the County Veterans Service Officer Operational Improvement Grant Program. This grant program was established by the 1993 Legislature to assist CVSO's in modernizing and improving the technology in their offices.

The department also serves as the leader in all matters relating to veterans and their families through a close working relationship with the Congressionally Chartered veterans organizations active in Minnesota. The department works closely with the Commander's Task Force, an organization comprised of the commanders of the major veterans organizations in Minnesota, to work closely with the department on all issues of concern to the 474,000 veterans of Minnesota. These issues and concerns frequently involve legislative issues. The department also cooperates with the United Veterans Legislative Council, an organization which is involved with legislative issues that affect Minnesota veterans.

State benefits and services administered by the department include: provision of bronze star grave markers to mark the graves of deceased veterans buried in Minnesota, preparation and presentation of late claims for veterans bonus payments to the Joint Claims Committee, provision of educational

benefits to veterans and war orphans, maintenance of veterans discharge records, which are required to establish eligibility for veterans benefits, and rehabilitation services to veterans provided through a contract with the Vinland National Center.

Other state benefits administered by the department include providing information, referral and assistance to veterans and their dependents regarding the long term health effects of Agent Orange, and enforcement of those state statutes governing veterans preference.

AGENCY CHALLENGES:

Federal Action. Federal actions that affect the ability of the department to service our client population include: downsizing of the active military forces, increased restrictions upon eligibility for federal veterans benefits, to include health care and unemployment benefits. The United States Department of Veterans Affairs has experienced reduced levels of funding, which results in fewer veterans benefits being available and consequently, fewer federal veterans benefits are granted. Budget reductions at the federal level have resulted in fewer staff to process claims, which has increased the amount of time it takes to process claims and has also increased the amount of time it takes for claimants to receive benefits. Eligibility restrictions have resulted in fewer veterans being admitted to the United States Department of Veterans Affairs Medical Center system. Veterans denied care in federal health care facilities are forced to seek care from private providers. These veterans then turn to the department for assistance in payment of these bills.

Dependent Population. A significant number of clients of the department are dependent upon various government programs at the federal, state and county levels. This dependency is due to a number of factors such as: physical disability, limited educational and vocational skills, and subsistence level income, all of which continue to qualify these individuals for various income assistance programs.

New Conflicts. Southwest Asia (Persian Gulf War). Some of the Minnesota military personnel involved in the Southwest Asia conflict are experiencing physical and psychological problems which will require treatment and intervention long into the future. The primary health concerns of these veterans are: multiple chemical sensitivities, exposure to toxic vehicle paint, exposure to oil well fire residue, exposure to depleted uranium and possible exposure to chemical warfare agents. Minnesotans continue to serve in the Southwest Asia theater, as the Persian Gulf War has not officially ended.

AGENCY STRATEGIES:

The agency's budget plan is intended to achieve the following objectives and goals:

- to provide state soldiers assistance program benefits to eligible veterans, their dependents and survivors;
- to process for payment all eligible late bonus claims and maintain and provide veteran's discharge records;
- to provide state education benefits for eligible state veterans and war orphans;
- to provide bronze star grave markers to mark the graves of eligible deceased veterans;
- to provide operational improvement grants to Minnesota county veterans service officers;
- to administer an educational and certification program to Minnesota county veterans service officers;
- to contract with the Vinland National Center for rehabilitation services for eligible veterans;

1996-97 Biennial Budget

AGENCY: Veterans Affairs, Department of
(Continuation)

- to provide representation to veterans, their dependents and survivors in securing federal veterans benefits, as their designated power of attorney;
- to provide court/agency appointed fiduciary services to veterans, their dependents and survivors;
- to provide information, assistance, referral and counseling services to those veterans exposed to agent orange or other chemical agents or environmental hazards;
- to enforce veterans preference statutes;
- to coordinate information, referral and sharing of information with collateral agencies;
- to develop, operate and maintain the state veterans cemetery.

REVENUE SUMMARY:

The department has 2 revenue generating activities. These are: Guardianship fees and the State Veterans Cemetery burial fees. The Guardianship fees are estimated at \$42,000 during the current fiscal year. These fees are charged to clients according to their ability to pay for services provided. These fees are non-dedicated and are deposited into the General Fund and are not credited to the department. Cemetery burial fees are charged according to ability to pay and are limited to the amounts reimbursed by federal agencies. This is a new activity with no revenue history; estimated reimbursements are \$14,000. These reimbursements are deposited into an account for the development and maintenance of the cemetery.

SUMMARY OF BUDGET REQUEST:

The budget plan requests funding to continue current activities within existing funding and additional funding of \$125,000 the first year and \$150,000 the second year for the state veterans cemetery operations.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an alternative level of funding which includes an additional \$1,200,000 for emergency assistance to needy veterans under the State Soldiers Assistance program.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF

PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
STATE BENEFITS AND GRANTS	1,512	1,795	1,874	1,698	1,698	2,298	1,698	1,698	2,298
SERVICES	2,765	2,311	3,183	3,183	3,183	3,183	3,183	3,183	3,183
DEPARTMENTAL OPERATIONS	802	587	1,099	731	856	856	735	885	885
TOTAL EXPENDITURES BY PROGRAM	5,079	4,693	6,156	5,612	5,737	6,337	5,616	5,766	6,366
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,921	3,052	3,373	3,101	3,226	3,826	3,105	3,255	3,855
STATUTORY APPROPRIATIONS:									
GENERAL		19	21						
SPECIAL REVENUE			251						
AGENCY	2,121	1,616	2,500	2,500	2,500	2,500	2,500	2,500	2,500
GIFTS AND DEPOSITS	37	6	11	11	11	11	11	11	11
TOTAL FINANCING	5,079	4,693	6,156	5,612	5,737	6,337	5,616	5,766	6,366
FTE BY EMPLOYMENT TYPE:									
REGULAR	30.8	29.7	33.0		34.0			34.0	
TOTAL FTE	30.8	29.7	33.0		34.0	34.0		34.0	34.0

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

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	6,156	6,156	3,394	3,394	2,762	2,762		
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<21>	<21>	<21>	<21>				
APPROPRIATIONS CARRIED FWD	<273>	<273>	<273>	<273>				
NON-RECURRING EXPENDITURES	<251>	<251>			<251>	<251>		
DOCUMENTED RENT/LEASE INC/DEC	1	5	1	5				
SUBTOTAL BASE ADJ.	<544>	<540>	<293>	<289>	<251>	<251>		
CURRENT SPENDING	5,612	5,616	3,101	3,105	2,511	2,511		

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1996-97 Biennial Budget

PROGRAM: State Benefits and Grants
AGENCY: Veterans Affairs, Department of

PROGRAM DESCRIPTION:

The state benefits and grants program exists to aid and assist Minnesota veterans and/or their dependents in securing subsistence, emergency medical, optical and dental benefits provided under the State Soldiers Assistance Program. Subsistence benefits provides the veteran with emergency financial assistance to meet the daily needs of living during a short (6 months or less) period of disability while the applicant cannot pursue their normal occupation. Optical, dental and emergency medical benefits are provided according to Department of Human Services fee schedules. All applicants must meet stringent income and asset guidelines as established in department rules governing the program.

The Vinland National Center activity provides rehabilitation services to veterans in order to assist them in their attempts to reintegrate themselves into mainstream society. This activity provides a full spectrum of rehabilitative services to individuals to help them make clear, rational lifestyle decisions necessary to live a full productive life.

The County Veterans Service Officer Operational Improvement Grant program provides grants to the CVSO offices to assist them with the purchase of equipment in order to provide improved services to veterans and their dependents. Grant funds are also used to provide increased training and educational opportunities to CVSOs.

The education and grants activity provides grants to eligible veterans and children of deceased or disabled veterans. These grants allow applicants to pursue educational opportunities and goals.

PROGRAM STATUS:

Increased demand for State Soldier's Assistance Program activity continues at unparalleled historical levels. This demand is caused by:

- the aging of our veteran population;
- significant delays in processing of claims by the United States Department of Veterans Affairs;
- the denial of medical treatment to thousands of veterans from United States Department of Veterans Affairs Medical Centers, due to increasingly restrictive eligibility requirements;
- increased awareness of program benefits and services, due to additional training and education of County Veterans Service Officers; and
- increased cost of medical services and utility.

Grants to the Vinland National Center remain at the current level.

The CVSO Operational Improvement Grant Program continues to provide needed equipment and training grants to assist CVSOs in the delivery of services to Minnesota veterans.

The education activity remains a high priority to veterans and dependents of deceased or disabled veterans. Education continues to be a main focus of all Minnesotans.

PLANNED RESULTS:

With the approval of the departments budget request for the State Soldier's Assistance Program activity, the department will be able to provide a needed safety net of subsistence level assistance to disabled veterans until they are able to return to work or obtain other long term, non-state financial assistance, such as social security or veterans benefits.

BUDGET AND REVENUE SUMMARY:

The agency budget plan provides for the continuation of existing activities within current funding.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an alternative level of program funding which includes \$1,200,000 to increase the level of funding for the State Soldiers Assistance program.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: STATE BENEFITS AND GRANTS

ACTIVITY RESOURCE ALLOCATION:	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
BENEFITS ADMINISTRATION	227	220	270	249	249	249	249	249	249
CYSO GRANTS			385	230	230	230	230	230	230
SOLDIERS ASSISTANCE	1,011	1,304	944	944	944	1,544	944	944	1,544
EDUCATION GRANTS	24	21	25	25	25	25	25	25	25
VINLAND GRANTS	250	250	250	250	250	250	250	250	250
TOTAL EXPENDITURES BY ACTIVITY	1,512	1,795	1,874	1,698	1,698	2,298	1,698	1,698	2,298
GOV'S INITIATIVES:									
			FUND						
(P) STATE SOLDIER ASSISTANCE PROGRAM			GEN			600			600
TOTAL GOV'S INITIATIVES						600			600
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,475	1,770	1,853	1,698	1,698	2,298	1,698	1,698	2,298
STATUTORY APPROPRIATIONS:									
GENERAL		19	21						
GIFTS AND DEPOSITS	37	6							
TOTAL FINANCING	1,512	1,795	1,874	1,698	1,698	2,298	1,698	1,698	2,298
FTE BY EMPLOYMENT TYPE:									
REGULAR	5.7	5.2	6.0		6.0			6.0	
TOTAL FTE	5.7	5.2	6.0		6.0	6.0		6.0	6.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Benefits Administration
PROGRAM: State Benefits and Grants
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This budget activity is responsible for the daily operation of the State Benefits and Grants program. The components of this program include: the State Soldier's Assistance Program activity, the Vinland National Center activity, the Education Grants activity, and the County Veterans Service Officer Operational Improvement Grant activity.

The State Benefits and Grants program also maintains veterans discharge records, processes applications for adjusted compensation benefits, as well as information and referral services to Minnesotans.

BUDGET ISSUES:

The department budget plan requests the same level of funding for this activity, which will allow the department to provide program services to our clients.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: STATE BENEFITS AND GRANTS
ACTIVITY: BENEFITS ADMINISTRATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	207	197	244	244	244	244	244	244	244
EXPENSES/CONTRACTUAL SRVCS		1	1	1	1	1	1	1	1
MISC OPERATING EXPENSES	19	20	22	1	1	1	1	1	1
SUPPLIES/MATERIALS/PARTS	1	2	3	3	3	3	3	3	3
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	227	220	270	249	249	249	249	249	249
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	227	220	270	249	249	249	249	249	249
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	227	201	249	249	249	249	249	249	249
STATUTORY APPROPRIATIONS:									
GENERAL		19	21						
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	227	220	270	249	249	249	249	249	249
FTE BY EMPLOYMENT TYPE:									
REGULAR	5.7	5.2	6.0		6.0			6.0	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	5.7	5.2	6.0		6.0	6.0		6.0	6.0

1996-97 Biennial Budget

BUDGET ACTIVITY: CVSO Grant Program
PROGRAM: State Benefits and Grants
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The County Veteran Service Officer (CVSO) Operational Improvement Grant Program provides grants to CVSO offices to assist them with the purchase of equipment intended to improve the delivery of services by these offices to veterans and their dependents. Grants are awarded on a first come-first served basis to qualifying applicants in accordance with the applicable statutes and department rules which govern this program. Qualifying uses of the grants include the purchase of computer and related office equipment, computer software, and the necessary training to utilize purchased equipment. Grant funds cannot be used to fund normal CVSO operating expenses, such as supplies or salaries, nor to provide office equipment or furniture that is normally provided by the county.

BUDGET ISSUES:

The department budget plan calls for same level funding for this activity. The department anticipates providing the same number of CVSO Operational Improvement grants during the next biennium. No changes in this activity are planned.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: STATE BENEFITS AND GRANTS
ACTIVITY: CVSO GRANTS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES			40	40	40	40	40	40	40
EXPENSES/CONTRACTUAL SRVCS			4	4	4	4	4	4	4
MISC OPERATING EXPENSES			11	11	11	11	11	11	11
SUBTOTAL STATE OPERATIONS			55	55	55	55	55	55	55
LOCAL ASSISTANCE			330	175	175	175	175	175	175
TOTAL EXPENDITURES			385	230	230	230	230	230	230
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL			385	230	230	230	230	230	230
TOTAL FINANCING			385	230	230	230	230	230	230
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

BUDGET ACTIVITY: State Soldiers Assistance Program
PROGRAM: State Benefits and Grants
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The State Soldiers Assistance Program Activity provides short term, emergency, subsistence level financial assistance to eligible veterans and their dependents. To be eligible veterans must be disabled to the point that they cannot pursue their normal occupation. Assistance is limited to 6 months unless the applicant is certified as ineligible for other assistance programs. Eligible applicants are assisted while they recover their health and are able to return to employment or become eligible for long term assistance. This long term assistance might be in the form of USDVA compensation or pension benefits, Social Security disability or retirement benefits, union retirement or private pension benefits.

This activity also assists veterans and their dependents with emergency medical treatment as well as optical and dental benefits. Payments are made according to Department of Human Services fee schedules; financial need is established according to applicable rules governing this program activity. Optical and dental benefits are limited to once per year.

BUDGET ISSUES:

Demand for services under this budget activity have increased by 60%, due to a number of factors. Increased funding of this budget activity is needed in order for the department to meet the demonstrated increased need for services. Without additional funding for this activity, program services would need to be reduced to the most needy veterans and their dependents.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: STATE BENEFITS AND GRANTS
ACTIVITY: SOLDIERS ASSISTANCE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS		6							
OTHER	37								
SUBTOTAL STATE OPERATIONS	37	6							
AIDS TO INDIVIDUALS	974	1,298	944	944	944	1,544	944	944	1,544
TOTAL EXPENDITURES	1,011	1,304	944	944	944	1,544	944	944	1,544
GOV'S INITIATIVES:									
			FUND						
(P) STATE SOLDIER ASSISTANCE PROGRAM			GEN			600			600
TOTAL GOV'S INITIATIVES						600			600
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	974	1,298	944	944	944	1,544	944	944	1,544
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS	37	6							
TOTAL FINANCING	1,011	1,304	944	944	944	1,544	944	944	1,544
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

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F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Veterans Affairs, Department of
PROGRAM: Benefits and Grants
ACTIVITY: State Soldiers Assistance Program

ITEM TITLE: State Soldiers Assistance Program

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$600	\$600	\$600	\$600
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that an additional \$1,200,000 be appropriated to the State Soldiers Assistance Program in order to provide for the emergency medical and other service needs of Minnesota's most needy veterans.

RATIONALE:

Increased demand for services continues at unparalleled historical levels. This demand is caused largely by:

- the aging of our veteran population;
- significant delays in processing of claims by the United States Department of Veterans Affairs;
- the discharge of thousands of veterans from Veterans Administration Medical Centers;
- increased awareness of the program because of increased informational activities by county veterans service officers;
- increased costs of medical services and utilities.

The department sought increased funding for this activity during the last legislative sessions, however that request was only partially approved. The department was required to transfer funds budgeted for F.Y. 1995 to F.Y. 1994 to meet activity demands during that fiscal year. That transfer reduced the available activity funding for F.Y. 1995.

PROGRAM OUTCOMES:

Veterans receiving assistance from the State Soldiers Assistance Program are, in most cases, temporarily disabled and require assistance for a short period of time (average 2 months) prior to returning to gainful employment. Medical programs are for emergencies or preventative services only.

LONG-TERM IMPACT:

Failure to approve increased biennial funding would require the elimination of benefits for certain programs or reduction of the level of support provided for emergency situations.

1996-97 Biennial Budget

BUDGET ACTIVITY: Education Grants
PROGRAM: State Benefits and Grants
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This budget activity provides educational grants to eligible veterans and children of veterans in order to defray tuition and related educational expenses. To be eligible to receive a one time, \$350 grant, veterans must have exhausted all federal educational benefits to which they were entitled, must still be within the 10 year time period allowed to utilize their federal educational benefits, and must not have attained a bachelor's degree or its' equivalent.

Children of veterans who died while on active duty military service or as the result of illness or injury incurred while serving on active duty are eligible for a yearly grant of \$350 to defray educational expenses, such as room and board, books, and supplies. Qualified children are allowed to attend post secondary institutions in Minnesota free of tuition until they attain a bachelors degree or its' equivalent.

BUDGET ISSUES:

The department budget plan calls for continued same level funding of this activity. Continued same level funding will allow the department to meet anticipated activity needs.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: STATE BENEFITS AND GRANTS
ACTIVITY: EDUCATION GRANTS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS	24	21	25	25	25	25	25	25	25
TOTAL EXPENDITURES	24	21	25	25	25	25	25	25	25
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	24	21	25	25	25	25	25	25	25
TOTAL FINANCING	24	21	25	25	25	25	25	25	25
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

BUDGET ACTIVITY: Vinland National Center
PROGRAM: State Benefits and Grants
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This activity provides rehabilitation services to veterans, in order to assist them in their attempts to reintegrate themselves into mainstream society. The Vinland National Center experience is a 3 week residential program that offers veterans a variety of services, such as life style awareness training, stress reduction, dietary suggestions, job assessment and self improvement challenges. The intent of the program is to provide a full spectrum of rehabilitative services to veterans to enable them to make clear, rational lifestyle decisions, while reintegrating themselves into mainstream society.

Veterans are referred to the Vinland National Center from a variety of sources, such as the United States Department of Veterans Affairs Medical Center system, private counseling and treatment programs and the County Veterans Service Officer system.

BUDGET ISSUES:

The department requests the same level funding for this activity. This same level funding will meet anticipated program needs for the next biennium.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: STATE BENEFITS AND GRANTS
ACTIVITY: VINLAND GRANTS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	250	250	250	250	250	250	250	250	250
TOTAL EXPENDITURES	250	250	250	250	250	250	250	250	250
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	250	250	250	250	250	250	250	250	250
TOTAL FINANCING	250	250	250	250	250	250	250	250	250

1996-97 Biennial Budget

PROGRAM: Services
AGENCY: Veterans Affairs, Department of

PROGRAM DESCRIPTION:

The department provides accredited representation before the United States Department of Veterans Affairs adjudication division to ensure that veterans and their dependents obtain the full measure of federal veterans benefits to which they are entitled. Those cases which are not resolved in favor of the claimant at the local level are appealed to the Board of Veterans Appeals. If not successful at this level, claims are pursued to the Court of Veterans Appeals, which is located in Washington, DC. Cases which are lost at this level may be appealed to the federal appellate court system and eventually to the United States Supreme Court. An equal, if not greater amount of time is expended upon cases which ultimately result in the denial of the benefit sought. However, the department feels strongly that all veterans claims for benefits, whether likely of a successful outcome or not, should be pursued if the veteran so chooses.

The commissioner is appointed as the guardian of mentally disabled veterans and dependents of veterans by the Probate Court system. As guardian, the commissioner is responsible for controlling in excess of \$2,000,000 in income and assets of veterans under his guardianship. The guardianship activity provides complete and comprehensive financial management of income and assets, to include the receipt, investment and expenditure of client funds. These services are supervised by the court of competent jurisdiction, which requires an annual accounting of all assets and expenditures. Decisions regarding client funds are made, to the extent possible, with the active cooperation of the client. This cooperation is fostered and maintained by personal contact with the client and contact with social workers, care providers and other interested parties, such as relatives.

PROGRAM STATUS:

The claims offices provide assistance to veterans and their dependents in pursuing claims for federal veterans benefits to which they are entitled. This demand is caused by:

- the number of aging veterans, particularly World War II veterans who present increasing demands for health services and federal veterans benefits such as pension and compensation. Claims activity caseload has increased.
- New Veterans. National Guard and Reserve members ordered to active duty during the Persian Gulf War have earned veterans status, as have former members of the Merchant Marine service and other federally designated groups. In addition, the force reductions in the active duty military has resulted in more veterans seeking benefits and services.

The Guardianship activity continues to receive more requests for guardianship services than the department is able to accept. Clients have been adjudicated incompetent by courts, and are highly dependent upon various agencies, family members, social and governmental agencies for assistance. In all likelihood these clients will never fully function as independent members of society and will continue to be dependent upon others for assistance in meeting their basic needs of life.

PLANNED RESULTS:

Continued funding at current levels will allow the department to meet the needs of constituents who are served by these activities.

BUDGET AND REVENUE SUMMARY:

The department requests the same level funding for this activity. Revenue generated by the activity is estimated to be \$42,000 for the current fiscal year. Revenues are deposited into the general revenue account and are not dedicated to the department.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
GUARDIANSHIP ADMIN	113	104	114	114	114	114	114	114	114
CLAIMS-FARGO ADMINISTRATION	171	208	186	186	186	186	186	186	186
CLAIMS-FORT SNELLING ADMIN	360	383	383	383	383	383	383	383	383
GUARDIANSHIP CLIENT ACCTS	2,121	1,616	2,500	2,500	2,500	2,500	2,500	2,500	2,500
TOTAL EXPENDITURES BY ACTIVITY	2,765	2,311	3,183	3,183	3,183	3,183	3,183	3,183	3,183
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	644	695	683	683	683	683	683	683	683
STATUTORY APPROPRIATIONS:									
AGENCY	2,121	1,616	2,500	2,500	2,500	2,500	2,500	2,500	2,500
TOTAL FINANCING	2,765	2,311	3,183	3,183	3,183	3,183	3,183	3,183	3,183
FTE BY EMPLOYMENT TYPE:									
REGULAR	15.8	15.5	15.0		15.0			15.0	
TOTAL FTE	15.8	15.5	15.0		15.0	15.0		15.0	15.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Guardianship Administration
PROGRAM: Services
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This budget activity provides guardianship services to mentally disabled veterans and their dependents. These services include: comprehensive financial planning and management of client funds, to include receipt of income, payment of all living expenses and related bills, acquisition, maintenance and disposition of client assets, both real and personal. The financial plan is developed with the active cooperation of the client, (to the extent that the client is willing and able to assist in this process) the clients family, social service organizations, medical professional, courts of competent jurisdiction and department staff.

BUDGET ISSUES:

The department budget plan requests the same level funding for this budget activity, to provide the same level of services to this client group.

REVENUE:

This revenue is received in the form of fees charged for services provided to guardianship clients. This fee is charged only on the basis of the ability of the client to pay the fee. Currently the department charges a fee for service to only about 50% of the guardianship client caseload. The same level of service is provided to all clients, whether or not a fee is charged for services. The department budget plan does not anticipate a change in the fee charged, nor revenues generated.

Dollars in Thousands
F.Y. 1993 F.Y. 1994 F.Y. 1995 F.Y. 1996 F.Y. 1997

Type of Revenue:					
Non-dedicated - Gen'l	\$30	\$42	\$42	\$42	\$42

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: SERVICES
ACTIVITY: GUARDIANSHIP ADMIN

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	111	102	111	111	111	111	111	111	111
MISC OPERATING EXPENSES		1	1	1	1	1	1	1	1
SUPPLIES/MATERIALS/PARTS	2	1	2	2	2	2	2	2	2
SUBTOTAL STATE OPERATIONS	113	104	114	114	114	114	114	114	114
TOTAL EXPENDITURES	113	104	114	114	114	114	114	114	114
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	113	104	114	114	114	114	114	114	114
TOTAL FINANCING	113	104	114	114	114	114	114	114	114
FTE BY EMPLOYMENT TYPE:									
REGULAR	2.9	2.8	3.0		3.0			3.0	
TOTAL FTE	2.9	2.8	3.0		3.0	3.0		3.0	3.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Claims; Fargo
PROGRAM: Services
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The Claims Office provides expert assistance to veterans and dependents of veterans with claims for federal veterans benefits. During the last federal fiscal year, veterans and their dependents in Minnesota received in excess of \$600 million dollars in federal veterans benefits. These benefits were received in the form of compensation benefits for injuries or illnesses incurred while the veteran served on active duty, pension benefits for low income, disabled veterans and spouses of deceased veterans, death indemnity compensation benefits for spouses and dependents of veterans who died while on active duty military service, medical benefits, educational benefits and other federal veterans benefits.

The Claims Office provides applicants with assistance at all levels of the claims process. Claims that are denied at the local level can and are appealed to the Board of Veterans Appeals. Claims which fail at this level may be appealed to the Court of Veterans Appeals in Washington, DC and potentially into the federal appellate court system.

This activity also includes funding for administrative costs of the director of program services and Bronze Star Grave Markers.

BUDGET ISSUES:

The department budget plan requests the same level funding for this activity. This same level funding will meet anticipated activity needs for the next biennium.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: SERVICES
ACTIVITY: CLAIMS-FARGO ADMINISTRATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	164	171	145	145	145	145	145	145	145
MISC OPERATING EXPENSES	6	3	10	10	10	10	10	10	10
SUPPLIES/MATERIALS/PARTS	1	34	31	31	31	31	31	31	31
SUBTOTAL STATE OPERATIONS	171	208	186	186	186	186	186	186	186
TOTAL EXPENDITURES	171	208	186	186	186	186	186	186	186
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	171	208	186	186	186	186	186	186	186
TOTAL FINANCING	171	208	186	186	186	186	186	186	186
FTE BY EMPLOYMENT TYPE:									
REGULAR	3.9	4.0	3.0		3.0			3.0	
TOTAL FTE	3.9	4.0	3.0		3.0	3.0		3.0	3.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Claims; Fort Snelling
PROGRAM: Services
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The Claims Offices provide expert assistance to veterans and dependents of veterans with claims for federal veterans benefits. During the last federal fiscal year, veterans and their dependents in Minnesota received in excess of \$600 million dollars in federal veterans benefits. These benefits were received in the form of compensation benefits for injuries or illnesses incurred while the veteran served on active duty, pension benefits for low income, disabled veterans and spouses of deceased veterans, death indemnity compensation benefits for spouses and dependents of veterans who died while on active duty military service, medical benefits, educational benefits and other federal veterans benefits.

The Claims Office provides applicants with assistance at all levels of the claims process. Claims that are denied at the local level can and are appealed to the Board of Veterans Appeals. Claims which fail at this level may be appealed to the Court of Veterans Appeals in Washington, DC and potentially into the federal appellate court system.

BUDGET ISSUES:

The department budget plan requests the same level funding for this activity. This same level funding will allow the department to meet anticipated activity needs.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: SERVICES
ACTIVITY: CLAIMS-FORT SNELLING ADMIN

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	353	349	372	372	372	372	372	372	372
MISC OPERATING EXPENSES	5	5	5	5	5	5	5	5	5
SUPPLIES/MATERIALS/PARTS	2	3	6	6	6	6	6	6	6
CAPITAL EQUIPMENT		26							
SUBTOTAL STATE OPERATIONS	360	383	383	383	383	383	383	383	383
TOTAL EXPENDITURES	360	383	383	383	383	383	383	383	383
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	360	383	383	383	383	383	383	383	383
TOTAL FINANCING	360	383	383	383	383	383	383	383	383
FTE BY EMPLOYMENT TYPE:									
REGULAR	9.0	8.7	9.0		9.0			9.0	
TOTAL FTE	9.0	8.7	9.0		9.0	9.0		9.0	9.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Guardianship Client Accounts
PROGRAM: Services
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The Guardianship Client Accounts activity provides financial management services to veterans and dependents of veterans who have been adjudicated to be incompetent to handle their own financial matters and who are under the court appointed guardianship of the commissioner. Client funds, which total \$2,500,000 are deposited with the state Department of Finance and are managed by the state Investment Board to ensure the maximum amount of return, which accrues to the individual client's account.

Services provided include: payment of bills and living expenses, counseling regarding all expenditures that the client may wish to make and decisions regarding the acquisition or disposal of client assets, such as automobiles, homes and other personal and real property. All such decisions are made with the consent and cooperation of the client and any related family members, to the extent that these individuals are able and willing to actively participate.

All client accounts are subject to an annual accounting review of all income, expenditures and assets is required by the court of competent jurisdiction. The United States Department of Veterans Affairs also requires an annual accounting of all account activities for those clients under the guardianship of the commissioner who receive monetary benefits from that agency, in addition to the report to the court. An annual accounting is also provided, as required, to the Social Security Administration and county agencies for funds expended on behalf of clients receiving medical assistance benefits.

BUDGET ISSUES:

Client funds managed within this activity account are controlled on behalf of individual guardianship clients and are managed by the state to ensure maximum return on investments and safety of client funds. These are not state funds -- they are client funds that are controlled by the department for the client.

REVENUE:

While this budget activity generates revenue, this revenue does not flow to the state. Revenue is generated through interest earnings on client funds held by the state. Interest generated is applied to the individual guardian's account.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: SERVICES
ACTIVITY: GUARDIANSHIP CLIENT ACCTS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
MISC OPERATING EXPENSES	2,121	1,616	2,500	2,500	2,500	2,500	2,500	2,500	2,500
SUBTOTAL STATE OPERATIONS	2,121	1,616	2,500	2,500	2,500	2,500	2,500	2,500	2,500
TOTAL EXPENDITURES	2,121	1,616	2,500	2,500	2,500	2,500	2,500	2,500	2,500
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
AGENCY	2,121	1,616	2,500	2,500	2,500	2,500	2,500	2,500	2,500
TOTAL FINANCING	2,121	1,616	2,500	2,500	2,500	2,500	2,500	2,500	2,500
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

PROGRAM: Departmental Operations
AGENCY: Veterans Affairs, Department of

PROGRAM DESCRIPTION:

The departmental operations program is responsible for all human resources, purchasing, and accounting responsibilities as well as all guardianship financial transactions. While these might be considered routine functions, they are absolutely a necessary component of overall department operations.

This program also assumed additional responsibilities when the State Veterans Cemetery was created by the Legislature in 1994. The department recently completed transfer of the site from the association which conceived and initiated the cemetery. Prior to this transfer the department was required to secure an environmental impact statement, a site appraisal and approval of the transfer by the Morrison County Board of Commissioners. The department is now faced with the challenges of developing rules to govern the cemetery operation, staffing the cemetery, applications for federal matching funds for the development of the cemetery site and securing additional state funds for equipment, staffing and operation.

This program is also responsible for the receipt, management and expenditure of funds donated for specific purposes.

PROGRAM STATUS:

The administrative activity is required to follow all applicable state policies and procedures, rules and regulations governing all activities such as human resource transactions, accounting and purchasing, affirmative action, department training and guardianship accounting practices.

The 1994 Legislative session created the Minnesota State Veterans Cemetery under the control of the department. With the addition of this activity, the department is seeking additional funding for operation and development of the State Veterans Cemetery.

The enabling legislation established a veterans' cemetery trust account. All designated appropriations and monetary donations must be placed into this account. The principal of this account must be invested by the state board of investment and may not be spent. Income from this account may be used for cemetery development and maintenance.

PLANNED RESULTS:

Funding requested for this activity will continue current functions and allow the department to ensure compliance with existing state regulations, guidelines, internal policies and procedures and contractual requirements. The agency plan also provides funding to operate the new veterans cemetery.

BUDGET AND REVENUE SUMMARY:

The department is requesting increased funding for this activity to meet the legislatively mandated

operation and development of the State Veterans Cemetery.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan which includes funds to operated the new veterans cemetery that was transferred to state ownership in F.Y. 1995.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: DEPARTMENTAL OPERATIONS

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
GIFTS AND DONATIONS			11	11	11	11	11	11	11
ADMINISTRATIVE SERVICES	802	587	837	720	720	720	724	724	724
CEMETERY DEV & MAINT ACCT			251		125	125		150	150
TOTAL EXPENDITURES BY ACTIVITY	802	587	1,099	731	856	856	735	885	885
AGENCY PLAN ITEMS:			FUND						
VETERANS CEMETERY			GEN		125			150	
TOTAL AGENCY PLAN ITEMS					125			150	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	802	587	837	720	845	845	724	874	874
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE			251						
GIFTS AND DEPOSITS			11	11	11	11	11	11	11
TOTAL FINANCING	802	587	1,099	731	856	856	735	885	885
FTE BY EMPLOYMENT TYPE:									
REGULAR	9.3	9.0	12.0		13.0			13.0	
TOTAL FTE	9.3	9.0	12.0		13.0	13.0		13.0	13.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Gifts and Donations
PROGRAM: Departmental Operations
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This activity is responsible for the receipt, management and expenditure of funds donated for specific, approved purposes. Past activities have included the Welcome Home celebration for Persian Gulf War veterans and the placement of plaques honoring various veterans on the State Court of Honor.

BUDGET ISSUES:

The department's budget plan does not call for state funding of this activity.

REVENUE:

The department has received funds for this account in the past. Currently the department is not receiving funds into this account. Funds, when received, are donated for specific purposes.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: DEPARTMENTAL OPERATIONS
ACTIVITY: GIFTS AND DONATIONS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS			6	6	6	6	6	6	6
SUPPLIES/MATERIALS/PARTS			5	5	5	5	5	5	5
SUBTOTAL STATE OPERATIONS			11	11	11	11	11	11	11
TOTAL EXPENDITURES			11	11	11	11	11	11	11
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS			11	11	11	11	11	11	11
TOTAL FINANCING			11	11	11	11	11	11	11
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

BUDGET ACTIVITY: Administrative Services
PROGRAM: Departmental Operations
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This activity is responsible for all day to day operations of the department, including: salary and benefits administration, human resource issues, staff development and training, affirmative action and equal employment opportunity enforcement, all accounting and purchasing functions, as well as information systems management.

BUDGET ISSUES:

The department requests the same level of funding for this activity.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: DEPARTMENTAL OPERATIONS
ACTIVITY: ADMINISTRATIVE SERVICES

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	436	413	547	547	547	547	547	547	547
EXPENSES/CONTRACTUAL SRVCS	99	96	101	102	102	102	106	106	106
MISC OPERATING EXPENSES	39	43	46	46	46	46	46	46	46
SUPPLIES/MATERIALS/PARTS	112	22	25	25	25	25	25	25	25
CAPITAL EQUIPMENT	116	13	118						
SUBTOTAL STATE OPERATIONS	802	587	837	720	720	720	724	724	724
TOTAL EXPENDITURES	802	587	837	720	720	720	724	724	724
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	802	587	837	720	720	720	724	724	724
TOTAL FINANCING	802	587	837	720	720	720	724	724	724
FTE BY EMPLOYMENT TYPE:									
REGULAR	9.3	9.0	12.0		12.0			12.0	
TOTAL FTE	9.3	9.0	12.0		12.0	12.0		12.0	12.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Cemetery Development and Maintenance
PROGRAM: Departmental Operations
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This activity manages developmental and maintenance aspects of the State Veterans Cemetery, which was established by the 1994 Legislature. The department only recently completed the transfer of the cemetery from the volunteer organization which conceived and initiated the cemetery. Prior to the transfer, the department was required to secure an environmental impact statement, an archeological site survey, a site appraisal and obtain the approval of the Morrison County Board of Commissioners. The department is now faced with the challenges of planning development of the cemetery, developing rules for the operation of the cemetery, assisting with the recruitment and selection of members to serve on the State Cemetery Board of Directors, staffing of cemetery operations, applications for federal matching development funds and securing funding for development, operation, equipment and staffing of the cemetery.

BUDGET ISSUES:

The department budget plan calls for continuation of current operations and funding to operate the State Veterans Cemetery. Requested funding levels are \$125,000 the first and \$150,000 the second year of the biennium. The State Veterans Cemetery, created by the 1994 Legislature has not been previously funded. The department budget plan calls for base level funding for cemetery development and operations, staffing, equipment and supplies and perpetual maintenance.

REVENUE:

This budget activity generates revenue received in the form of reimbursement for the costs of interment of eligible family members. The fees cover, as nearly as practicable, the actual costs of interment, excluding the value of the plot. No plot or interment fees are charged for the burial of eligible veterans, members of the national guard or military reservists. Funds available from the social security administration or veterans burial allowances are paid to the department in an amount not to exceed the actual cost of the interment, excluding the value of the plot.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>

Type of Revenue:					
Non-dedicated - Gen'l	\$-0-	\$-0-	\$14	\$14	\$14

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS, DEPARTMENT OF
PROGRAM: DEPARTMENTAL OPERATIONS
ACTIVITY: CEMETERY DEV & MAINT ACCT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES					38	38		38	38
EXPENSES/CONTRACTUAL SRVCS			47	49	49		74	74	
MISC OPERATING EXPENSES			4	14	14		14	14	
SUPPLIES/MATERIALS/PARTS			5	12	12		12	12	
CAPITAL EQUIPMENT			20	12	12		12	12	
OTHER			175						
SUBTOTAL STATE OPERATIONS			251	125	125		150	150	
TOTAL EXPENDITURES			251	125	125		150	150	
AGENCY PLAN ITEMS:									
									FUND
VETERANS CEMETERY					125			150	GEN
TOTAL AGENCY PLAN ITEMS					125			150	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL				125	125		150	150	
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE			251						
TOTAL FINANCING			251	125	125		150	150	
FTE BY EMPLOYMENT TYPE:									
REGULAR				1.0			1.0		
TOTAL FTE				1.0	1.0		1.0	1.0	

AGENCY: Veterans of Foreign Wars

AGENCY DESCRIPTION:

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 2.0 accredited claims representatives and 2.0 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.

AGENCY BUDGET PLAN:

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. 1994-95, as compared to an estimated 81,500 annually in F.Y. 1992-93. This will result in the receipt of an estimated \$26,184,000 in individual benefits each year.

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 recommends the current level of spending.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS OF FOREIGN WARS
PROGRAM: VETERANS OF FOREIGN WARS
ACTIVITY: VETERANS OF FOREIGN WARS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				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
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

AGENCY: Military Order of the Purple Heart

AGENCY DESCRIPTION:

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 veterans 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.

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.

EXPLANATION OF AGENCY BUDGET PLAN:

Our success is measured best by the number of veterans giving us their Power of Attorney (POAs) to represent them with the Department of Veterans Affairs. In 1992, there were 900 active powers of attorney (POAs) and today our office services 1,009 active POAs for an increase of 109 or 12% over the previous year. In one fiscal year, F.Y. 1993 to F.Y. 1994, we went from 944 POAs to the present 1,009 POAs for an increase of 7%.

Since F.Y. 1992 to F.Y. 1994, we have a total recovery of \$4,818,562 in veterans benefits that is put back into Minnesota's economy. The monthly veterans benefits recovered is \$200,773. Our

recovery of veterans benefits has increased by 53% over the period of 7-1-90 to 6-30-92.

During this past biennium, we held 490 interviews, reviewed 3,965 files and filed 1,058 new claims with the Department of Veterans Affairs, of which 730 of the claims were approved.

Our National Service Office workload has increased over the past biennium and continues to do so.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY ORDER PURPLE HEART
 PROGRAM: MILITARY ORDER PURPLE HEART
 ACTIVITY: MILITARY ORDER PURPLE HEART

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				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
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

AGENCY: Disabled American Veterans (DAV)

AGENCY DESCRIPTION:

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. There are 4.0 accredited representatives and 2.0 secretaries 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.

EXPLANATION OF 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.

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.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: DISABLED AMERICAN VETERANS
PROGRAM: DISABLED AMERICAN VETERANS
ACTIVITY: DISABLED AMERICAN VETERANS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	12	12	12	12	12	12	12	12	12
TOTAL EXPENDITURES	12	12	12	12	12	12	12	12	12
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	12	12	12	12	12	12	12	12	12
TOTAL FINANCING	12	12	12	12	12	12	12	12	12
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

AGENCY: Lawful Gambling Control Board

AGENCY DESCRIPTION:

The board's mission is to educate and regulate the lawful gambling industry; ensure the integrity of operations; and provide for the lawful use of net profits. The major activities of the board include: 1) educating the lawful gambling industry about lawful gambling laws in the state; 2) licensing of manufacturers, distributors, bingo halls, nonprofit organizations, gambling managers, and issuing premises permits authorizing the conduct of gambling at sites such as restaurants, bars, VFW, or Legion clubs; and 3) ensuring those organizations comply with all state statutes and rules relating to lawful gambling.

To achieve this, the board works in partnership with the lawful gambling industry to ensure compliance with M.S. 349 and rule requirements. Every citizen of Minnesota benefits from community programs funded by organizations conducting lawful gambling.

REVENUES:

This activity generates dedicated and non-dedicated revenue.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated - Gen'l	\$811	\$1,344	\$871	\$1,416	\$666

ISSUES AFFECTING AGENCY'S OPERATIONS:

The 1984 Legislature created the 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. From 1985 to 1991, the handle in the lawful gambling industry has increased from approximately \$111 million in 1985 to \$1.25 billion in 1991. Since 1991, the industry has maintained this level of activity.

The computer system in use today is shared with the Minnesota Department of Revenue. It was designed in 1986 only to issue site licenses. Since that time the responsibilities of the board and the environment in which it operates have become increasingly complex. In 1990 the license structure was changed to an organization license, premises permit for the site, and gambling manager for each organization. The board also registers employees of manufacturers, distributors, and organizations. The changes were patched into the existing licensing system, creating islands of information that can't be easily accessed or used by others.

Without an overhaul of system capabilities, the effectiveness of lawful gambling education and regulation programs will diminish at an increasing rate. With current staffing levels, organizations are reviewed every 4.5 years. For the regulatory program to be truly effective, compliance reviews should be conducted once during an organization's 2 year license cycle. The results of that review and the organization's response should be a factor in its license renewal. The 2 year review cycle

will give staff the opportunity to apply preventive measures so organizations can avoid significant compliance problems before they occur or get out of hand.

To conduct compliance reviews on organizations every two year, a new information systems package and funding for additional staff are necessary. Pull-tab dispensing machines authorized by the 1994 legislature will increase the number of sites conducting lawful gambling and bring new compliance concerns to the agency during the initial phase-in of the dispensing machines.

EXPLANATION OF AGENCY'S BUDGET PLAN:

Knowledgeable staff is an intricate part of the board's regulatory program. It is imperative that no positions are lost. In F.Y. 1996-97, 79% of the budget is for salaries.

Agency Reallocations: To fully fund positions in F.Y. 1996-97, \$41,000 would be reallocated from the operating budget:

- \$ 3,000 Workers compensation
- \$26,000 Legal services
- \$ 2,000 Employee Training
- \$10,000 Reduce equipment budget, leaving \$5,000 each year

Pull-tab Dispensing Devices: Laws of Minnesota 1994, Chapter 633 added pull-tab dispensing devices to the definition of gambling equipment. \$5,000 was appropriated for rule making in F.Y. 1995. Annualization of program costs is:

Positions	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
	\$143	\$125	\$125	\$125
	3.0 FTE	3.0 FTE	3.0 FTE	3.0 FTE

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: a biennial increase of \$1,165 and 1 FTE position for a systems project to allow the agency to improve the quality of its service to the lawful gambling industry and increase its effectiveness in regulating that industry.

The Governor will consider proposals for a socio-economic model on gambling after receiving recommendations from the advisory council on gambling created under Laws of 1994, Chapter 633, Article 8, Section 5.

The Governor intends to submit legislation merging the Minnesota Racing Commission, the Minnesota State Lottery, and the Gambling Control Board into 1 unified gambling agency with an effective date of 7/1/95.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LAWFUL GAMBLING CONTROL
PROGRAM: LAWFUL GAMBLING CONTROL
ACTIVITY: LAWFUL GAMBLING CONTROL

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,439	1,413	1,552	1,502	1,640	1,662	1,502	1,640	1,685
EXPENSES/CONTRACTUAL SRVCS	258	288	292	245	220	735	246	221	468
MISC OPERATING EXPENSES	106	113	142	141	156	174	141	156	162
SUPPLIES/MATERIALS/PARTS	85	32	35	35	47	118	35	42	65
CAPITAL EQUIPMENT	33		61	15	18	236	15	5	5
SUBTOTAL STATE OPERATIONS	1,921	1,846	2,082	1,938	2,081	2,925	1,939	2,064	2,385
TOTAL EXPENDITURES	1,921	1,846	2,082	1,938	2,081	2,925	1,939	2,064	2,385
AGENCY PLAN ITEMS:									
									FUND
ANNUALIZED NEW PROG COST					143			125	GEN
TOTAL AGENCY PLAN ITEMS					143			125	
GOV'S INITIATIVES:									
									FUND
(A) SYSTEMS PROJECT						844			GEN
TOTAL GOV'S INITIATIVES						844			321
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,917	1,842	2,082	1,938	2,081	2,925	1,939	2,064	2,385
STATUTORY APPROPRIATIONS:									
GENERAL	4	4							
TOTAL FINANCING	1,921	1,846	2,082	1,938	2,081	2,925	1,939	2,064	2,385

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LAWFUL GAMBLING CONTROL
 PROGRAM: LAWFUL GAMBLING CONTROL
 ACTIVITY: LAWFUL GAMBLING CONTROL

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
REGULAR	34.8	36.4	37.4		42.4		42.4		
OVERTIME		.2	.2		.2		.2		
TOTAL FTE	34.8	36.6	37.6		42.6	43.1	42.6		43.6

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. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	2,082	2,082	2,082	2,082				
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<5>	<5>	<5>	<5>				
APPROPRIATIONS CARRIED FWD	<96>	<96>	<96>	<96>				
DOCUMENTED RENT/LEASE INC/DEC	3	4	3	4				
ATTORNEY GENERAL COSTS	<46>	<46>	<46>	<46>				
SUBTOTAL BASE ADJ.	<144>	<143>	<144>	<143>				
CURRENT SPENDING	1,938	1,939	1,938	1,939				

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Lawful Gambling Control Board
 PROGRAM:
 ACTIVITY:

ITEM TITLE: Systems Project

	1996-97 Biennium		1998-99 Biennium	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s)				
General Fund				
- State Operations	\$844	\$321	\$104	\$104
Revenues: (\$000s)				
General Fund				
- Revenues	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$1,165 and 1 FTE position for a systems project to allow the Gambling Control Board to improve the quality of its service to the lawful gambling industry and increase its effectiveness in regulating that industry.

The Information Policy Office has reviewed and supports this project if funding is available consistent with any requirements identified in its analysis. The Governor recommends that the release of F.Y. 1997 funding be contingent upon receipt by IPO of the required planning tasks identified in its 1996-97 Information Systems Funding Recommendations.

RATIONALE:

The purpose of the Gambling Control Board's system project is to leverage current technology to develop a comprehensive information resource management environment with its core being an integrated Lawful Gambling Data Community.

PROGRAM OUTCOMES:

The project will improve the agency's capabilities by:

- electronically linking the agency to all its external stakeholders (other agencies that it works with, as well as industry organizations),
- providing a communication mechanism for all entities in the industry to "keep current" with changes in the industry, and

- developing an integrated internal system at the agency to improve the licensing, education and regulation of the industry.

LONG-TERM IMPACT:

Project specifics include:

- Update the hardware and software at the agency, bringing it up to IPO standards.
- Install a high speed communication line to the Department of Revenue so that information can be shared between agencies.
- Install hardware and software so that the agency can efficiently communicate with all its stakeholders through the use of an electronic bulletin board system.
- Develop an integrated internal system that supports all activities of the agency and provides the ability to track on-line all relevant information about licensees involved in the industry.
- Develop an on-line statute and rule based policy manual so that all staff members can provide accurate and current information to the industry.

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1996-97 Biennial Budget

AGENCY: Minnesota Racing Commission (MRC)

AGENCY DESCRIPTION:

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. Furthermore, 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.

REVENUES:

This activity generates dedicated and non-dedicated revenue.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated - Gen'l	\$811	\$133	\$944	\$1,004	\$1,017
Dedicated - Special	\$388	\$109	\$835	\$1,122*	\$1,133*

* Includes \$149 of drug testing reimbursement.

EXPLANATION OF AGENCY'S BUDGET PLAN:

F.Y. 1995

The commission appropriation for F.Y. 1995 is \$201,000. After adjusting out Attorney General fees, the current spending level is \$198,000 for F.Y. 1996-97, under current budget guidelines. At this level of spending, the commission could regulate full card simulcasting as outlined below. This would not permit the commission to regulate the 50 days of live racing nor the county fair activity, which is expected in F.Y. 1995.

The 1993 legislature allowed the carry forward of unused operating funds from F.Y. 1994 to F.Y. 1995. Due to the lack of live racing, the commission was able to carry over \$83,000 from F.Y. 1994. These two sources, the appropriation of \$201,000 and the carry over of \$83,000, will provide a total of \$284,000 for F.Y. 1995. Due to increased activity of county fairs and 50 days of live racing at Canterbury Downs, the commission will need \$361,000 to regulate these activities. This means that the commission will require a deficiency appropriation of \$77,000 to carry out its statutory obligations in F.Y. 1995.

F.Y. 1996 - F.Y. 1997

During this period it is anticipated there will be year around full card simulcasting, with 50 to 60 day live meets, May through August at Canterbury Downs and 2 to 4 county fair meets from June through August.

As noted above, budgetary guidelines provide a current spending of \$198,000 for F.Y. 1996-97. Since activity during the next biennium is expected to increase, the current spending level is insufficient. The requested General Fund budget at this level of regulation is \$519,000, an increase of \$321,000 above current spending. This deficiency could be reduced to \$172,000 if drug testing is statutorily changed so that the expenditures and reimbursement are included in a reimbursement account of the Special Revenue Fund instead of the General Fund.

This level of live racing would require 1 FTE added to the full-time staff of 3. In this case, 1 full-time auditor/administrative person would be added in January 1995, and a full-time contract person would be added for about 6 months annually to assist with racing operations. Preferably, this person would be certified as a steward by the Association of Racing Commissioners International, and a substantial part of the contract could be recovered by serving as a steward. To the extent that there are no conflicts, this person could also assist in the regulation of county fairs and foal registration control. In addition this budget plan includes 5 months funding for a security/investigations position from the Gambling Enforcement Division to assist the Stewards and licensing in all matters regarding licensee compliance with the racing rules. Further, this budget includes a contract state veterinarian for 4 months each year.

A change in the statute to allow for drug testing to be handled through MRC's reimbursement account could reduce the General Fund total request to \$370,000 per year. This change is possible because drug testing for horses is reimbursed on a dollar for dollar basis by the race track. In prior years of live racing, the MRC received a General Fund appropriation for the estimated cost of drug testing and deposited the reimbursement as a non-dedicated receipt to the General Fund.

General Fund revenues from this level of operation is estimated to be about \$1.004 million in F.Y. 1996 and \$1.017 million in F.Y. 1997. This estimate includes the pari-mutual tax, Class A and B licenses, occupational licenses, and unredeemed tickets.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The horse racing industry is in the process of recovery, and the precise level of operation will be difficult to forecast for the next 2 years, especially with the defeat of the off track betting (OTB) amendment. It must be assumed that the ownership of Canterbury Downs will conduct live racing during the summer of 1995 for at least 50 days. After this, live racing will be determined on a year-by-year basis.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the MRC plan and recommends a General Fund increase of \$172,000 per year over current spending. An amendment to M.S. 240.155, Sub. 1 and 240.24, Sub.3. is proposed to fund drug testing from the Special Revenue Reimbursement Account rather than from the General Fund. Any cost recovery for the contract person serving as steward shall be deposited to the General Fund.

The Governor intends to submit legislation merging the Minnesota Racing Commission, the Minnesota State Lottery, and the Gambling Control Board into one unified Gambling Agency with an effective date of 7-1-95.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN RACING COMM
PROGRAM: RACING COMMISSION
ACTIVITY: RACING COMMISSION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	476	202	190	142	246	246	142	246	246
EXPENSES/CONTRACTUAL SRVCS	342	66	123	100	306	306	100	306	306
MISC OPERATING EXPENSES	286	15	23	1,006	1,016	1,016	761	771	771
SUPPLIES/MATERIALS/PARTS	18	2	3	3	4	4	3	4	4
CAPITAL EQUIPMENT			4	4	4	4	4	4	4
OTHER			8	8	8	8	8	8	8
SUBTOTAL STATE OPERATIONS	1,122	285	351	1,263	1,584	1,584	1,018	1,339	1,339
LOCAL ASSISTANCE	165	1	40	193	193	193	167	167	167
TOTAL EXPENDITURES	1,287	286	391	1,456	1,777	1,777	1,185	1,506	1,506
AGENCY PLAN ITEMS:									
ANNUALIZED NEW PROG COST			GEN		172			172	
ANNUALIZED NEW PROG COST			SR		149			149	
TOTAL AGENCY PLAN ITEMS					321			321	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	754	283	284	198	370	370	198	370	370
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	533	3	107	1,258	1,407	1,407	987	1,136	1,136
TOTAL FINANCING	1,287	286	391	1,456	1,777	1,777	1,185	1,506	1,506
FTE BY EMPLOYMENT TYPE:									
REGULAR	7.2	2.8	3.9		4.4			4.4	
TEMP/SEAS/PART_TIME	1.6	.2			2.0			2.0	

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN RACING COMM
PROGRAM: RACING COMMISSION
ACTIVITY: RACING COMMISSION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
OVERTIME		.1	.1		.1		.1		
TOTAL FTE	8.8	3.1	4.0		6.5	6.5	6.5	6.5	

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. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	391	391	284	284	107	107		
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<83>	<83>	<83>	<83>				
DED STAT APPROP SPENDING	1,151	880			1,151	880		
ATTORNEY GENERAL COSTS	<3>	<3>	<3>	<3>				
SUBTOTAL BASE ADJ.	1,065	794	<86>	<86>	1,151	880		
CURRENT SPENDING	1,456	1,185	198	198	1,258	987		

1996-97 Biennial Budget

AGENCY: Minnesota State Lottery

AGENCY DESCRIPTION:

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.

The legislature established the Minnesota State Lottery during the 1989 legislative session after the citizens approved a constitutional amendment in 1988. The Lottery began selling instant tickets in April 1990 and on-line Lotto tickets in August 1990.

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, Executive Assistant, Research Director and Public Relations Manager 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 regional offices in Virginia, Marshall, Brainerd, Owatonna, Detroit Lakes and Egan.

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; retailer and staff training and the development of 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.

Regional 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 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 lottery winners, answer inquiries from players and retailers, fill emergency ticket orders, and provide administrative support.

During July 1994 weekly sales of all Lottery games averaged \$5.7 million. Of that amount,

approximately \$3.3 million was returned to winners; \$.3 million to retailers; \$1.2 million to Lottery beneficiaries and \$.4 million to the General Fund in lieu of sales tax. By that same date, a total of \$252.4 million had been credited to Lottery beneficiaries; \$87.3 million to the General Fund in lieu of sales tax and \$790.0 million to Lottery winners since lottery sales began.

The network of instant and on-line retailers continues to change. The Lottery is currently contracting with 3,500 instant and 1,700 on-line retailers. Those numbers are adjusted as the Lottery improves its ability to forecast sales and define successful retailer profiles.

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 receives 40% of net proceeds as dedicated revenues with the bulk of the money designated to building a permanent trust fund. A portion of the fund and interest is distributed biennially by the Legislative Commission on Minnesota Resources for projects and programs that help protect and enhance the state's environmental resources.
- The state General Fund receives 60% of net proceeds as non-dedicated revenues.

In addition, the Lottery has made significant contributions to the state to operate the department of human service's compulsive gambling treatment program. In F.Y. 1992 and 1993 the Lottery contributed \$300,000 each year to the Compulsive Gambling Treatment Program. This contribution was increased in F.Y. 1994 to \$535,000 and in F.Y. 1995 the Lottery is contributing \$1,540,000 (\$1,000,000 from the Prize Fund and \$540,000 from Lottery operating expense). In addition to this required contribution, the Lottery has developed a TV and radio public service advertising campaign on compulsive gambling, designed and printed stickers advertising the compulsive gambling hotline number.

1996-97 Biennial Budget

AGENCY: Minnesota State Lottery
(Continuation)

REVENUES:

This activity generates dedicated and non-dedicated revenue as follows:

	Actual F.Y. 1994	Estimate F.Y. 1995	Estimate F.Y. 1996	Estimate F.Y. 1997
40% Envir. & Natural Resources Trust Fund	\$23,748	\$20,962	\$20,962	\$20,962
60% General Fund	<u>35,621</u>	<u>31,442</u>	<u>31,442</u>	<u>31,442</u>
Total Beneficiary	\$59,369	\$52,404	\$52,404	\$52,404
Tax in Lieu of Sales Tax to General Fund	21,546	20,475	20,475	20,475
Contribution to Compulsive Gambling Treatment Program	<u>535</u>	<u>1,540</u>	<u>540</u>	<u>540</u>
Total Revenue to State	\$81,450 ¹	\$74,419	\$73,419	\$73,419

¹ During F.Y. 1994, Powerball sales (plus resulting proceeds and taxes) escalated dramatically as a result of an anomaly pertaining to the significant rollover of jackpot prizes (building up to \$111 million in July 1993, \$90 million in December 1993 and \$63.5 million in April 1994). The Lottery cannot expect those record jackpots to repeat with that rapidity in future years.

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. Lottery sales are expected to decline somewhat from F.Y. 1994 record levels for two reasons:

1. High F.Y. 1994 sales resulted from the unusual occurrence of two very high Powerball jackpots. Jackpots of this level are unpredictable and cannot be expected to repeat with any degree of certainty.
2. Competition for the gaming dollar (and discretionary income in general) continues to grow, particularly as casinos step up their already aggressive marketing activities.

As a result, sales for F.Y. 1996 and 1997 are projected to remain at levels that would likely have been experienced in F.Y. 1994 in the absence of large jackpots. It should be remembered, however, that as with other businesses, lottery sales remain sensitive to overall economic conditions.

Lottery Budget Summary

Dollars in Thousands

	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Income				
Instant Ticket Sales	\$204,217	\$192,281	\$192,281	\$192,281
Daily 3 Sales	14,817	13,987	13,987	13,987
Powerball Sales	89,086	85,369	85,369	85,369
Gopher 5 Sales	22,701	21,377	21,377	21,377
DATO! Sales	<u>654</u>	<u>1,986</u>	<u>1,986</u>	<u>1,986</u>
TOTAL SALES	\$331,475 ¹	\$315,000	\$315,000	\$315,000
Less Tax in Lieu of Sales Tax	<u>21,546</u>	<u>20,475</u>	<u>20,475</u>	<u>20,475</u>
Gross Receipts	\$309,929	\$294,525	\$294,525	\$294,525
Plus Other Income	<u>1,203</u>	<u>1,143</u>	<u>1,143</u>	<u>1,143</u>
Gross Revenue	\$311,132	\$295,668	\$295,668	\$295,668
Costs				
Total Game Prizes	\$192,254	\$182,131	\$183,131	\$183,131
Prizes/Comput. Gambling	0	1,000	0	0
Retailer Commissions	16,559	15,769	15,769	15,769
Retailer Incentive	<u>3,115</u>	<u>2,816</u>	<u>2,816</u>	<u>2,816</u>
Subtotal	211,928	201,716	201,716	201,716
Operating Expense:				
Instant Tickets	3,614	4,141	4,181	4,055
Ticket Delivery	548	628	635	616
On-line Vendor Commission	8,179	7,891	7,891	7,891
Contrib: Compl. Gamb. & Public Safety	685	690	690	690
Advertising	8,411	8,127	8,127	8,127
Salaries & Benefit, Emp. Expense	8,120	8,677	8,937	9,205
Rent	1,367	1,357	1,384	1,412
Communications	1,440	1,792	1,804	1,840
Promotions	2,683	2,593	2,590	2,581
Depreciation	1,196	1,427	1,427	1,168
Professional Services	1,057	1,038	1,069	1,101
Office & Retailer Supplies	742	1,344 ²	955	967
Other	<u>1,793</u>	<u>1,843</u>	<u>1,858</u>	<u>1,895</u>
Total Operating Expense	\$39,835	\$41,548	\$41,548	\$41,548
Net Proceeds	\$59,369	\$52,404	\$52,404	\$52,404
Tax In Lieu of Sales Tax	21,546	21,546	21,546	21,546
Contribution to Compulsive Gambling Treatment Program	<u>535</u>	<u>1,540</u>	<u>540</u>	<u>540</u>
Total Paid to State	\$81,450 ¹	\$74,419	\$73,419	\$73,419

² Includes purchase of Retailer Countertop Ticket Dispensers.

AGENCY: Minnesota State Lottery
(Continuation)

EXPLANATION OF AGENCY'S BUDGET PLAN:

To maintain the Lottery's current market share and the state's profit from Lottery operations, the Lottery must continue to expend monies at the F.Y. 1994 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. 1996 and F.Y. 1997.

The Lottery will continue to explore and implement methods of providing more cost effective advertising and promotions and more efficient operations while maintaining or increasing the Lottery's market share. These actions enable the Lottery's budget plan to absorb inflationary increases in operating costs and salaries. For instance a change in the method of packaging instant tickets will save \$65,000 each year from the Lottery's operating budget. 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 the state each year of the next biennium as that paid in F.Y. 1995. It should be pointed out that based on the experiences of Lotteries in other states, it is highly probable that a reduction of allowable operating expenses would result in lower ticket sales and a corresponding decrease in the state's profit greater than the operating funds saved.

ISSUES AFFECTING AGENCY'S OPERATIONS:

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.

For example, 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 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.

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.

GOALS AND OBJECTIVES:

The performance measures of the Lottery are simple: maximize the contributions to the state within the guidelines of the statute. To maintain existing revenue projections, the Lottery must anticipate, develop and foster the consumer's preference in spending of the discretionary entertainment dollar. New games are always under development, their themes and styles varied to keep pace with appeal to the market place.

The Lottery will offer a variety of price points (\$1, \$2, \$5), designs and new play styles on its instant game products. A new multi-state on-line computer game is under development for 1995. The frequency of large jackpots seen in F.Y. 1994 cannot be statistically expected to repeat, and competition from casinos for the consumer's dollar is significant. The Lottery's goals are to:

- Maintain contributions to the state in excess of \$70 million;
- Maintain market share of the state gaming industry; and
- Continue to operate a network of retail outlets that provide convenient access to lottery products for all Minnesotans.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

The Governor intends to submit legislation merging the Minnesota Racing Commission, the Minnesota State Lottery and the Gambling Control Board into one unified Gambling Agency with an effective date of 7-1-95.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE LOTTERY
PROGRAM: STATE LOTTERY
ACTIVITY: STATE LOTTERY

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	7,418	7,899	7,605	7,605	7,605	7,605	7,605	7,605	7,605
MISC OPERATING EXPENSES	95	100	259	259	259	259	259	259	259
OTHER	52		55	55	55	55	55	55	55
SUBTOTAL STATE OPERATIONS	7,565	7,999	7,919	7,919	7,919	7,919	7,919	7,919	7,919
TOTAL EXPENDITURES	7,565	7,999	7,919	7,919	7,919	7,919	7,919	7,919	7,919
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
AGENCY	7,565	7,999	7,919	7,919	7,919	7,919	7,919	7,919	7,919
TOTAL FINANCING	7,565	7,999	7,919	7,919	7,919	7,919	7,919	7,919	7,919
FTE BY EMPLOYMENT TYPE:									
REGULAR	195.5	199.2	199.2		199.2			199.2	
TEMP/SEAS/PART_TIME	5.1	8.0	8.0		8.0			8.0	
OVERTIME	1.5	2.1	2.1		2.1			2.1	
TOTAL FTE	202.1	209.3	209.3		209.3	209.3		209.3	209.3

1996-97 Biennial Budget

AGENCY: Minnesota State Retirement System (MSRS)

AGENCY DESCRIPTION:

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 300 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.

AGENCY CHALLENGES:

Membership in F.Y. 1994 was over 100,000 persons. Another 18,000 received monthly retirement payments or survivor benefits. Over 2,800 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 STRATEGIES:

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.

The board has endorsed several initiatives for consideration by the Governor and the legislature this session:

1. Expansion and standardization across statewide plans for the Coordinated Survivor Benefit.
2. Maintenance of 65 as the Normal Age for retirement for employees hired after 1989. (Social Security Normal Age is scheduled to increase to 67 by the year 2027.)

DIRECT APPROPRIATIONS

Two retirement plans administered by MSRS are supported through direct appropriations from the General Fund:

Recent Budget History:

	Dollars in Thousands		
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Legislators' Retirement	\$2,600	\$2,000	\$2,000
Elective Officers' Retirement	220	200	200

SUMMARY STATISTICS:

	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>PROJECTED</u>		
			<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Total Membership	93,000	100,000	102,000	104,000	106,000
Refunds Paid to Members	4,200	2,800	3,000	3,000	3,000
New Retirees Added During the Year	1,027	1,743	900	900	900
Retired Members or Survivors Paid Monthly	15,400	18,000	18,500	19,000	19,500
Investments (\$'s in millions)	\$3,251	\$3,970	\$4,200	\$4,500	\$4,700
Contributions (\$'s in millions)					
Employee	\$70	\$73	\$75	\$77	\$80
Employer	\$76	\$78	\$80	\$83	\$85

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's operating budget plan.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM

PROGRAM RESOURCE ALLOCATION:	Est.			FY 1996			FY 1997		
	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MN STATE RETIREMENT SYSTEM	127,070	141,360	150,833	150,833	150,833	150,833	150,833	150,833	150,833
ELECTIVE OFFICERS PLAN	145	164	165	165	165	165	165	165	165
JUDGES PLAN	5,209	5,846	6,011	6,011	6,011	6,011	6,011	6,011	6,011
LEGISLATORS PLAN	4,050	3,321	3,671	3,671	3,671	3,671	3,671	3,671	3,671
TOTAL EXPENDITURES BY PROGRAM	136,474	150,691	160,680	160,680	160,680	160,680	160,680	160,680	160,680
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
GENERAL	2,781	1,870	2,158	2,158	2,158	2,158	2,158	2,158	2,158
JUDGES RETIREMENT	1,434	1,457	1,447	1,447	1,447	1,447	1,447	1,447	1,447
STATUTORY APPROPRIATIONS:									
CORR EMPL RET	4,274	4,681	4,926	4,926	4,926	4,926	4,926	4,926	4,926
AGENCY	1,414	1,615	1,678	1,678	1,678	1,678	1,678	1,678	1,678
MN STATE RET SYSTEM	106,856	118,980	127,781	127,781	127,781	127,781	127,781	127,781	127,781
HIGHWAY PATROL RET	10,346	11,373	12,024	12,024	12,024	12,024	12,024	12,024	12,024
STATE UNC EMP RET	17	94	102	102	102	102	102	102	102
MSRS DEFERRED COMP	5,577	6,232	6,000	6,000	6,000	6,000	6,000	6,000	6,000
JUDGES RETIREMENT	3,775	4,389	4,564	4,564	4,564	4,564	4,564	4,564	4,564
TOTAL FINANCING	136,474	150,691	160,680	160,680	160,680	160,680	160,680	160,680	160,680
FTE BY EMPLOYMENT TYPE:									
REGULAR	36.8	37.5	37.5		37.5			37.5	
OVERTIME	.3	.4	.4		.4			.4	
TOTAL FTE	37.1	37.9	37.9		37.9	37.9		37.9	37.9

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM
PROGRAM: MN STATE RETIREMENT SYSTEM

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
DEFERRED COMPENSATION	5,577	6,232	6,000	6,000	6,000	6,000	6,000	6,000	6,000
HWY PATROL RETMNT	10,346	11,373	12,024	12,024	12,024	12,024	12,024	12,024	12,024
CORRECTIONAL EMPL RETMNT	4,274	4,681	4,926	4,926	4,926	4,926	4,926	4,926	4,926
UNCLASSIFIED EMPL RETMNT	17	94	102	102	102	102	102	102	102
STATE EMPL RETMNT	104,364	116,109	124,977	124,977	124,977	124,977	124,977	124,977	124,977
MSRS ADMINISTRATION	2,492	2,871	2,804	2,804	2,804	2,804	2,804	2,804	2,804
TOTAL EXPENDITURES BY ACTIVITY	127,070	141,360	150,833	150,833	150,833	150,833	150,833	150,833	150,833

SOURCES OF FINANCING:

STATUTORY APPROPRIATIONS:

CORR EMPL RET	4,274	4,681	4,926	4,926	4,926	4,926	4,926	4,926	4,926
MN STATE RET SYSTEM	106,856	118,980	127,781	127,781	127,781	127,781	127,781	127,781	127,781
HIGHWAY PATROL RET	10,346	11,373	12,024	12,024	12,024	12,024	12,024	12,024	12,024
STATE UNC EMP RET	17	94	102	102	102	102	102	102	102
MSRS DEFERRED COMP	5,577	6,232	6,000	6,000	6,000	6,000	6,000	6,000	6,000
TOTAL FINANCING	127,070	141,360	150,833	150,833	150,833	150,833	150,833	150,833	150,833

FTE BY EMPLOYMENT TYPE:

REGULAR	36.8	37.5	37.5		37.5			37.5	
OVERTIME	.3	.4	.4		.4			.4	
TOTAL FTE	37.1	37.9	37.9		37.9	37.9		37.9	37.9

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM
PROGRAM: MN STATE RETIREMENT SYSTEM
ACTIVITY: MSRS ADMINISTRATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,621	1,695	1,798	1,798	1,798	1,798	1,798	1,798	1,798
EXPENSES/CONTRACTUAL SRVCS	661	682	629	629	629	629	629	629	629
MISC OPERATING EXPENSES	139	175	221	221	221	221	221	221	221
SUPPLIES/MATERIALS/PARTS	37	259	54	54	54	54	54	54	54
CAPITAL EQUIPMENT	4	2	42	42	42	42	42	42	42
OTHER	30	58	60	60	60	60	60	60	60
SUBTOTAL STATE OPERATIONS	2,492	2,871	2,804	2,804	2,804	2,804	2,804	2,804	2,804
TOTAL EXPENDITURES	2,492	2,871	2,804	2,804	2,804	2,804	2,804	2,804	2,804
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
MN STATE RET SYSTEM	2,492	2,871	2,804	2,804	2,804	2,804	2,804	2,804	2,804
TOTAL FINANCING	2,492	2,871	2,804	2,804	2,804	2,804	2,804	2,804	2,804
FTE BY EMPLOYMENT TYPE:									
REGULAR	36.8	37.5	37.5		37.5			37.5	
OVERTIME	.3	.4	.4		.4			.4	
TOTAL FTE	37.1	37.9	37.9		37.9	37.9		37.9	37.9

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM
PROGRAM: ELECTIVE OFFICERS PLAN

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ELECTIVE OFFICERS PLAN	145	164	165	165	165	165	165	165	165
TOTAL EXPENDITURES BY ACTIVITY	145	164	165	165	165	165	165	165	165
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
GENERAL	145	164	165	165	165	165	165	165	165
TOTAL FINANCING	145	164	165	165	165	165	165	165	165
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM
PROGRAM: JUDGES PLAN

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
JUDGES PLAN	5,209	5,846	6,011	6,011	6,011	6,011	6,011	6,011	6,011
TOTAL EXPENDITURES BY ACTIVITY	5,209	5,846	6,011	6,011	6,011	6,011	6,011	6,011	6,011
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
JUDGES RETIREMENT	1,434	1,457	1,447	1,447	1,447	1,447	1,447	1,447	1,447
STATUTORY APPROPRIATIONS:									
JUDGES RETIREMENT	3,775	4,389	4,564	4,564	4,564	4,564	4,564	4,564	4,564
TOTAL FINANCING	5,209	5,846	6,011	6,011	6,011	6,011	6,011	6,011	6,011
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM
PROGRAM: LEGISLATORS PLAN

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
LEGISLATORS PLAN	4,050	3,321	3,671	3,671	3,671	3,671	3,671	3,671	3,671
TOTAL EXPENDITURES BY ACTIVITY	4,050	3,321	3,671	3,671	3,671	3,671	3,671	3,671	3,671
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
GENERAL	2,636	1,706	1,993	1,993	1,993	1,993	1,993	1,993	1,993
STATUTORY APPROPRIATIONS:									
AGENCY	1,414	1,615	1,678	1,678	1,678	1,678	1,678	1,678	1,678
TOTAL FINANCING	4,050	3,321	3,671	3,671	3,671	3,671	3,671	3,671	3,671
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

AGENCY: Public Employees Retirement Association (PERA)

AGENCY DESCRIPTION:

Established by legislative act in 1931, the Public Employees Retirement Association (PERA) of Minnesota administers 40 retirement plans in accordance with M.S., sec. 353 to 353D and 356.

PERA's membership includes more than 165,000 county, city, town, school district and other public employees, retirees, their survivors and dependents. Approximately 2,100 separate governmental subdivisions within the state, as defined in M.S. 353.01, subd. 6, participate in the PERA-administered retirement system.

The mission of PERA is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality of benefits and services. PERA's future (3-D) vision is to be seen by its members as an important part of their retirement solution because it (1) *develops* creative methods that enable members to make sound retirement and life planning decisions, (2) *displays* relentless efforts to protect the fund and provide the public pension packages, and (3) *delivers* exceptional services any time any place.

The agency employs 70 full-time staff and is under the direction of an Executive Director who is responsible to a policy-setting 10-member Board of Trustees. (Legislation enacted in May 1994 will increase the number of PERA's board members from 10 to 11 in January 1995.) Key business processes include (1) collecting and managing revenues, (2) maintaining membership records, (3) delivering information services, and (4) issuing benefit payments.

To achieve PERA's vision, these business processes will be closely aligned to 5 future strategic programs which will yield benefits for both PERA's membership and the agency. These programs include:

- implementing and delivering a full range of customer services,
- designing and developing new products and services that improve the services and benefit packages PERA offers,
- collecting and managing information required to define and deliver services to customers,
- collecting and managing revenues, and
- building an information technology, human resources, and administrative infrastructure to support the above programs.

REVENUE SUMMARY:

Member and employer contributions, investment earnings, and income from other sources provide the funds needed to cover the liability for present and future benefits. All employees of governmental subdivisions within the state are required to be members of PERA unless they do not meet the criteria for membership, or they are included in another retirement system. There are 4 categories of membership to defined benefit retirement plans within the association; each has specific contribution and benefit provisions.

1. PERA General
 - a) Coordinated - Encompasses employees who also contribute to Social Security; Payroll contribution rate: employee = 4.23% and employer = 4.48%.
 - b) Basic - Includes employees employed prior to 1968 who are not covered by Social Security; Payroll contribution rates: employee = 8.23% and employer = 10.73%.
2. Police and Fire - Consists of police officers, fire fighters and others authorized by statute; Payroll contribution rates: employee = 7.6% and employer = 11.4%.
3. Police and Fire Consolidated - Includes police officers and fire fighters employed prior to 1980 with local relief associations who elected to merge and transfer plan assets and administration to PERA; Payroll contribution rates: employee = 7.6% and employer = 11.4%.

Membership in PERA's defined contribution plan is limited to elected officials and ambulance service personnel. Elected officials and their employers each contribute 5% of salary to the plan; contributions for ambulance service personnel are determined by the employer.

PERA recognizes that a significant financial investment is necessary to support organization change through successful completion of future strategic initiatives. The board has approved a phased plan to expand administrative services and expenditures, but the project is long-term and therefore, the marginal fiscal implications for 1996-97 administrative costs are not reflected in the agency fiscal pages. Typically, administrative costs, including investment fees, represent approximately 1% of the agency's revenue allocation; the bulk of expenditures include benefits, refunds and transfers to build future retirement reserves. Contribution rate changes may result from changes in actuarial assumptions or other legislative actions.

Refer to the table below for a summary of revenue amounts by type.

AGENCY STATISTICS:

	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Contributions (in millions)					
Employee	\$ 128	\$ 138	\$ 149	\$ 161	\$ 174
Employer	\$ 151	\$ 167	\$ 184	\$ 202	\$ 222
Realized Investment Income	\$ 535	\$ 630	\$ 683	\$ 742	\$ 805
Total Assets (in millions)	\$5,770	\$6,612	\$7,273	\$8,000	\$8,800
Total PERA-administered Plans	30	40	42	44	46
Active Contributing Members	122,400	129,000	134,100	139,500	145,100
Retirees, Survivors, and Disabilitants	37,000	40,200	43,400	46,900	50,600
Terminated Members, not yet receiving benefits	15,100	15,900	16,500	17,200	17,900
Total Membership	174,500	185,100	194,000	203,600	213,600
Average Monthly Annuity	\$ 621	663	685	705	730
Filled FTE	64.85	71.1	71.1	71.1	71.1
Ratio of Staff to Membership	1:2,691	1:2,603	1:2,728	1:2,864	1:3,004
Administrative & Investment Costs					
Per Account	\$ 54	\$56	\$58	\$60	\$62

AGENCY: Public Employees Retirement Association (PERA)
(Continuation)

AGENCY CHALLENGES:

With an increasing membership and legislative changes over the years, the volume and the complexity of the work have grown significantly with little offsetting increases in staff or improvements in technology to carry the increased workload. Basic work processes need to be changed to deal with the escalating workload. PERA's business processes need to be more efficiently designed and its aging computer technology brought up to date so that the organization has a better capacity to deliver quality services to its membership.

AGENCY STRATEGIES:

To greatly effect change in the organization's business operations, PERA completed development of a 5-year business strategic plan in May 1994. Furthermore, PERA decided to incorporate the principles of Total Quality Management into their planning process and future re-engineering efforts in order to ensure the organization maintains a strong customer focus.

The centerpiece of PERA's strategic plan focuses on redesigning the way PERA delivers its services to maximize quality to its membership at a reasonable cost. Objectives include reducing hand-offs, improving efficiency and productivity, reducing rework, and decreasing fragmented work design. PERA expects to achieve quantum improvements in cycle times for delivering benefit estimates to members and processing other member requests. Future plans also will embrace key principles of Total Quality Management. Redesigning work processes will emphasize fact-based planning and customer-focused designs.

Key project initiatives that will be implemented during the F.Y. 1996-97 biennium include:

- implementing a hardware and software foundation for systems that enable PERA to achieve its vision and objectives,
- implementing a customer service program providing immediate responses to member requests for information while reducing interruptions to other departments,
- implementing a member/employer database,
- establishing joint planning and shared goals with other stakeholders to achieve what is best for pension fund members,
- designing employer reporting standards and processes to provide better and faster member information support,
- integrating financial systems to improve the quality and timeliness of financial information,
- establishing fast communication of special notifications between PERA, members, and their employers, and
- developing and implementing plans to improve the quality of members' benefits.

PERA's strategic plan recommends a substantial but conservative investment in information technology. PERA has underinvested in its technology for several years. PERA's recommendations are substantial because the agency's basic technology and information systems structure date back to 1980. Due to this outdated infrastructure, the costs will be substantial to achieve basic office

automation and to integrate systems and data to improve internal productivity and to provide basic customer services in a timely manner.

The agency's biennial budget plan does not include proposed capital expenditure costs for hardware and software acquisitions or costs for outsourcing systems development work. Budget proposals for these expenditures will be presented to the PERA Board of Trustees at a later date when project teams have determined requirements and costs.

SUMMARY OF BUDGET REQUEST:

Key objectives that guided the preparation of this budget:

- to maintain the highest possible levels of quality and service to a rapidly growing membership;
- to ensure cost-effective replacement and enhancement of PERA's information systems;
- to encourage continued strategic planning efforts to meet long-term goals
- to empower employees through training and maximize the results of teamwork;
- to provide improved communications to PERA's membership and their employers; and
- to support continued implementation of PERA's policies and goals.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's operating budget plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC EMPLOYEE RETIREMENT ASSOCIATION
PROGRAM: PUBLI EMPL RETR ASN

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
PERA ANNUITIES & REF	236,718	264,722	280,000	308,000	308,000	308,000	338,800	338,800	338,800
PERA POLICE & FIRE	39,895	28,242	32,120	36,120	36,120	36,120	40,120	40,120	40,120
PERA CONSOLIDATED		27,654	41,150	45,250	45,250	45,250	45,660	45,660	45,660
PERA ADMINISTRATION	6,960	7,648	9,719	8,692	8,763	8,763	8,697	8,768	8,768
TOTAL EXPENDITURES BY ACTIVITY	283,573	328,266	362,989	398,062	398,133	398,133	433,277	433,348	433,348
AGENCY PLAN ITEMS:			FUND						
ADJUST ALLOTMENT FOR ATT GEN COSTS			PER		26			26	
ADJUST ALLOTMENT FOR STATE INDIRECT COSTS			PER		45			45	
TOTAL AGENCY PLAN ITEMS					71			71	
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
P & F CONSOLIDATION		27,654	41,150	45,250	45,250	45,250	45,660	45,660	45,660
PUBLIC EMP RET ASSOC	243,678	272,370	289,719	316,692	316,763	316,763	347,497	347,568	347,568
PUBLIC EMP POL FIRE	39,895	28,242	32,120	36,120	36,120	36,120	40,120	40,120	40,120
TOTAL FINANCING	283,573	328,266	362,989	398,062	398,133	398,133	433,277	433,348	433,348
FTE BY EMPLOYMENT TYPE:									
REGULAR	62.9	63.8	63.8		63.8			63.8	
TEMP/SEAS/PART_TIME	.9	2.2	2.2		2.2			2.2	
OVERTIME	2.1	2.7	2.7		2.7			2.7	
TOTAL FTE	65.9	68.7	68.7		68.7	68.7		68.7	68.7

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

AGENCY: PUBLIC EMPLOYEE RETIREMENT ASSOCIATION

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	362,989	362,989			362,989	362,989		
BASE ADJUSTMENTS								
NON-RECURRING EXPENDITURES	<1,032>	<1,032>			<1,032>	<1,032>		
DED STAT APPROP SPENDING	36,100	71,310			36,100	71,310		
DOCUMENTED RENT/LEASE INC/DEC	5	10			5	10		
SUBTOTAL BASE ADJ.	35,073	70,288			35,073	70,288		
CURRENT SPENDING	398,062	433,277			398,062	433,277		

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC EMPLOYEE RETIREMENT ASSOCIATION
PROGRAM: PUBLIC EMPL RETR ASN
ACTIVITY: PERA ADMINISTRATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,680	2,838	3,221	3,221	3,221	3,221	3,221	3,221	3,221
EXPENSES/CONTRACTUAL SRVCS	1,130	1,224	1,986	1,313	1,272	1,272	1,318	1,277	1,277
MISC OPERATING EXPENSES	402	454	664	616	616	616	616	616	616
SUPPLIES/MATERIALS/PARTS	95	121	128	128	128	128	128	128	128
CAPITAL EQUIPMENT	26	166	402	96	96	96	96	96	96
OTHER	2,627	2,845	3,318	3,318	3,430	3,430	3,318	3,430	3,430
SUBTOTAL STATE OPERATIONS	6,960	7,648	9,719	8,692	8,763	8,763	8,697	8,768	8,768
TOTAL EXPENDITURES	6,960	7,648	9,719	8,692	8,763	8,763	8,697	8,768	8,768
AGENCY PLAN ITEMS:									
			FUND						
ADJUST ALLOTMENT FOR ATT GEN COSTS			PER		26			26	
ADJUST ALLOTMENT FOR STATE INDIRECT COSTS			PER		45			45	
TOTAL AGENCY PLAN ITEMS					71			71	
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
PUBLIC EMP RET ASSOC	6,960	7,648	9,719	8,692	8,763	8,763	8,697	8,768	8,768
TOTAL FINANCING	6,960	7,648	9,719	8,692	8,763	8,763	8,697	8,768	8,768
FTE BY EMPLOYMENT TYPE:									
REGULAR	62.9	63.8	63.8		63.8			63.8	
TEMP/SEAS/PART_TIME	.9	2.2	2.2		2.2			2.2	
OVERTIME	2.1	2.7	2.7		2.7			2.7	
TOTAL FTE	65.9	68.7	68.7		68.7	68.7		68.7	68.7

1996-97 Biennial Budget

AGENCY: Teachers' Retirement Association (TRA)

AGENCY DESCRIPTION:

The mission of the Teachers' Retirement Association (TRA) is to provide a secure and dependable source of retirement income for its members.

To accomplish its mission, TRA will:

1. Reliably receive and account for retirement contributions, precisely and dependably disburse benefits and maintain accurate records of all related activities;
2. Provide quality services to assist members 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.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The 3 main sources of fund revenue are employee contributions, employer contributions, and income from investments held in trust. The 3 main categories of expenses are monthly annuity benefits, refunds of employee contributions, and administration.

TRA will continue to make accurate and timely monthly benefit payments to approximately 23,000 benefit recipients. Approximately 1,500 new retirees are expected annually. TRA provides pre-retirement counseling services in the TRA office and at 16 outstate counseling sites. In fiscal 1993, TRA conducted 3,856 individual counseling sessions. TRA provides annual statements of account to over 65,000 active members. These statements provide a summary of current account status and projected pension benefits.

Membership Profile

<u>As of June 30</u>	<u>Active Members</u>	<u>Inactive Members</u>	<u>Benefit Recipients</u>
1993	65,268	20,309	20,810
1992	65,557	19,242	19,212
1991	65,093	18,273	18,904
1990	64,324	17,311	17,136
1989	64,796	16,092	16,385

ISSUES AFFECTING AGENCY OPERATIONS:

Active membership has stabilized over recent years around 65,000. A growing number of inactive members has necessitated greater administrative effort in maintaining communication and current addresses on these members. Due to adverse federal tax laws and a short 3-year vesting

requirement, we expect a growing number of teachers leaving the profession to keep their account balance with TRA. These teachers are classified as inactive members. The number of benefit recipients has doubled over the last 12 years. We expect this number to grow as "baby boomers" begin to retire. Heightened awareness of retirement planning and advancement in technology have increased demands from TRA's members for greater levels of service. The TRA Board of Trustees has authorized staff to survey the membership to identify and prioritize service issues. TRA staff are analyzing technological options we have to pursue in order to meet the service demands from the expanding number of retirees and their beneficiaries. Staff expect to make recommendations to the TRA Board during F.Y. 1995.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's operating budget plan.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TEACHERS RETIREMENT ASSOCIATION
PROGRAM: TEACHERS RETIRE ASN
ACTIVITY: TEACHERS RETIRE ASN

ACTIVITY SUMMARY	FY 1996			FY 1997					
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,119	2,295	2,550	2,840	2,820	2,820	2,840	2,820	2,820
EXPENSES/CONTRACTUAL SRVCS	898	1,017	1,447	1,480	1,478	1,478	1,480	1,478	1,478
MISC OPERATING EXPENSES	291	411	425	457	457	457	457	457	457
SUPPLIES/MATERIALS/PARTS	45	48	45	45	45	45	45	45	45
CAPITAL EQUIPMENT	192	111	50	50	50	50	50	50	50
OTHER	256,342	310,074	350,075	390,075	390,097	390,097	420,083	420,105	420,105
SUBTOTAL STATE OPERATIONS	259,887	313,956	354,592	394,947	394,947	394,947	424,955	424,955	424,955
AIDS TO INDIVIDUALS			8						
LOCAL ASSISTANCE	5	8		8	8	8	8	8	8
TOTAL EXPENDITURES	259,892	313,964	354,600	394,955	394,955	394,955	424,963	424,963	424,963
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
TEACHERS RETIREMENT	259,892	313,964	354,600	394,955	394,955	394,955	424,963	424,963	424,963
TOTAL FINANCING	259,892	313,964	354,600	394,955	394,955	394,955	424,963	424,963	424,963
FTE BY EMPLOYMENT TYPE:									
REGULAR	48.2	50.4	50.4		50.4			50.4	
OVERTIME	.9	1.6	1.6		1.6			1.6	
TOTAL FTE	49.1	52.0	52.0		52.0	52.0		52.0	52.0

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

AGENCY: TEACHERS RETIREMENT ASSOCIATION

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	354,600	354,600			354,600	354,600		
BASE ADJUSTMENTS								
DED STAT APPROP SPENDING	40,355	70,363			40,355	70,363		
SUBTOTAL BASE ADJ.	40,355	70,363			40,355	70,363		
CURRENT SPENDING	394,955	424,963			394,955	424,963		

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1996-97 Biennial Budget

AGENCY: Minneapolis Employees' Retirement Fund

AGENCY DESCRIPTION:

The Minneapolis Employees' Retirement Fund (MERF) was established in 1919 by the State Legislature to provide members with survivor and disability benefits during employment and financial security through benefits after retirement from service.

MERF is a cost-sharing multiple employer plan governed by a seven member Board of Directors. Five employee representatives, 2 of whom must be retired members, are elected to the Board by the Minneapolis Municipal Association. Under State law, 2 elected officials serve *ex officio*: The Mayor of the City of Minneapolis (or a designee), and a representative from the Minneapolis City Council.

Employers participating in the Fund are:

- The City of Minneapolis
- Minneapolis Special School District No. 1
- City of Minneapolis Water Department
- Minneapolis-St. Paul Metropolitan Airports Commission
- Metropolitan Waste Control Commission
- Municipal Building Commission

MERF is a "closed fund." Employee membership is restricted in law to those employees hired prior to 7-1-78. Any employees hired after that date become members of the Public Employees' Retirement Fund (PERA).

Management of the Fund is vested in the Executive Director, who serves at the pleasure of the Board, and has responsibility for administering the Fund under Board direction in accordance with Minnesota Law. MERF assets are not managed by the State Board of Investment, as is the case for the funds administered through the 3 statewide retirement systems: MSRS, PERA, and MSRS. The assets of the fund are almost exclusively invested by outside money managers under contract.

Current Fund Status:

Retirees & survivors	4,892
Deferred Retirements	87
Terminated/Non vested	190
Active Members	2,169
Projected Payroll	\$86,132,000
Average Age	50.6
Average Service	22.3
Current Assets	\$909,342,000
Actuarial Accrued Liability	<u>1,207,396,000</u>
Funding Ratio	75.31%

STATE APPROPRIATIONS:

Because the fund is closed to new members, a diminishing payroll base exists from which to draw contributions to meet the liabilities of the fund through the amortization target date of 2020. The unfunded liabilities of the plan must be zero by that date in order for the fund to meet all of its future benefit and administrative costs with remaining assets and investment returns. M.S. 422.A establishes a formula for allocation of the supplemental contribution obligations among contributors, including a capped state obligation to assist the employer units in financing these unfunded liabilities.

The annual state obligation to amortize the unfunded liabilities is specified in statute as:

- The total annual level dollar amount necessary to amortize the unfunded liability by the year 2020,

Less

- A contribution from the employer units equal to:
 1. 2.5% of payroll, plus,
 2. \$3,900,000 from all employers, plus
 3. Any remaining required contributions allocated to the Metropolitan Airports Commission and the Metropolitan Waste Commission.

Laws of 1991, Chapter 345, capped the annual state obligation as the lesser of the amount derived above, or \$10,455,000 per state fiscal year. The actuary for the Legislative Commission on Pensions and Retirements calculates the obligation under the above formula, and compares the result with the statutory cap. The MERF valuation for the fiscal year ended 6-30-94 indicates that for state F.Y. 1995, the lesser of the 2 is the capped appropriation. This is the base that applies for each year of the 1996-97 biennium. The state share of total supplemental contributions is approximately 60%.

In addition, M.S. 422.A requires that the state pay the full amortized cost of supplemental benefits for Pre-1973 retirees. This liability is projected at \$550,000 for each year of the 1996-97 biennium.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base-level funding of \$11,005,000 for each year of the 1996-97 biennium.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINNEAPOLIS PENSION RETIREMENT
PROGRAM: FIN MISC NON OPERATING
ACTIVITY: FIN MISC NON OPERATING

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
TOTAL EXPENDITURES	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
GENERAL	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
TOTAL FINANCING	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

AGENCY: Local Police & Fire Amortization Aid

AGENCY DESCRIPTION:

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. The aid continues until the association ceases to exist, or achieves full funding status.

Current statute fixes *regular* amortization distributions to all eligible funds as the level annual dollar amount required to amortize by 12-31-2010, the unfunded actuarial accrued liability of the relief association as reported in the valuation of the fund as of 12-31-78. This amount is adjusted for reductions due to the amount required to pay the interest on the unfunded liability for calendar year 1981, at the rate specified in M.S. 1978, Sec. 356.215, subd. 4, clause 4.

In 1991, M.S. 423A.02, subd. 1 was modified such that a cap was placed on the regular amortization aid expenditures for all eligible municipalities at \$5,055,000.

An additional *supplemental* amortization aid of \$1,000,000 is statutorily appropriated under M.S. 423A.02, subd. 1a, for distribution on the basis of the proportion of a relief association bears to the total unfunded actuarial accrued liabilities of all relief associations as of 12-31-83.

A third component of the appropriation total is for Firefighter Supplemental Benefit Reimbursements. M.S. 424A.10 requires firefighter relief associations to pay a supplemental retirement benefit which is in lieu of the basic retirement benefit being exempt from state income tax. This is an open appropriation. Expenditures under this law are expected to be less than \$400,000 each year in the 1996-97 biennium.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the current spending level for each year of the 1996-97 biennium.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LOCAL POL-FIRE AMORT AID
PROGRAM: FIN MISC NON OPERATING
ACTIVITY: FIN MISC

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	4,691	4,238	6,455	6,455	6,455	6,455	6,455	6,455	6,455
TOTAL EXPENDITURES	4,691	4,238	6,455	6,455	6,455	6,455	6,455	6,455	6,455
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
GENERAL	4,691	4,238	6,455	6,455	6,455	6,455	6,455	6,455	6,455
TOTAL FINANCING	4,691	4,238	6,455	6,455	6,455	6,455	6,455	6,455	6,455
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

AGENCY: Minneapolis Teachers' Retirement State Aid

AGENCY DESCRIPTION:

The Minneapolis Teachers' Retirement Fund Association (MTRFA) was established in 1909 to provide retirement benefits for all certified personnel of the Minneapolis Public Schools, Special School District No. 1.

The MTRFA is not adequately funded, and has for some time experienced significant contribution deficiencies. In 1993, the Legislature and the Governor attempted to resolve part of this large, ongoing funding problem by establishing in statute levy authority on the part of the Minneapolis School District and City to raise revenues for the purpose of making an additional contribution to the Fund (Laws 1993, Chapter 357, Section 3, modifying M.S. 354A.12).

The law also established a state match of these additional contributions, for every \$1,000 raised and contributed through the optional levy by the school district and/or city, up to a maximum of \$2,500,000 in any state fiscal year. Hence, the law provides a potential combined additional contribution of \$5,000,000 each fiscal year to reduce the unfunded liabilities of the fund.

This state matching aid is paid from the General Fund by the Commissioner of Finance to the MTRFA upon the conditions that:

1. The accrued liability funded ratio of the plan, as of the most recent actuarial valuation, is lower than that for the statewide Teachers' Retirement Fund (TRA);
2. Documentation is received demonstrating that the levy(ies) have been certified, collected and remitted to the MTRFA by the City and/or School District.

The aid is also indexed to the general education revenue formula allowance as specified in M.S. 124A.24, subd.2, as compared to the base year of 1994. Any change in the formula allowance would trigger a different statutory maximum state matching aid obligation.

FUND PROFILE/STATISTICS:

Funding

Statutory contributions (combined employer and employee, as % of payroll)	19.16%
Required contributions	<u>25.03%</u>
Deficiency	(5.87%)
Current Assets	\$514,138,000
Actuarial Accrued Liability	<u>920,470,000</u>
Funded Ratio	55.86%

Plan Participants

Active members	4,484
Members on leave of absence	109
Projected payroll	\$165,789,000
Average annual earnings	\$36,973
Average age	43.1
Average service	9.4
Service retirements	2,497
Disability retirements	48
Survivors	219
Deferred retirements	652
Terminated/Non-vested	671

GOVERNOR'S RECOMMENDATION:

The Governor recommends appropriations at the current spending level for F.Y. 1996-97.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINNEAPOLIS TEACHERS' STATE AID
PROGRAM: FIN MISC NON OPERATING
ACTIVITY: FIN MISC NON OPERATING

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE		1,224	2,500	2,500	2,500	2,500	2,500	2,500	2,500
TOTAL EXPENDITURES		1,224	2,500	2,500	2,500	2,500	2,500	2,500	2,500
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
GENERAL		1,224	2,500	2,500	2,500	2,500	2,500	2,500	2,500
TOTAL FINANCING		1,224	2,500	2,500	2,500	2,500	2,500	2,500	2,500
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

AGENCY: Saint Paul Teachers' Retirement State Aid

AGENCY DESCRIPTION:

The St. Paul Teachers' Retirement Fund Association (StPTRFA) was established in 1909 to provide retirement benefits for all certified personnel of the Saint Paul Public Schools, ISD #625.

The StPTRFA is not adequately funded. In 1993, the Legislature and the Governor attempted to resolve part of the ongoing funding problem faced by this fund by creating a statutory appropriation of \$500,000 from the state General Fund, payable by the Commissioner of Finance on October 1, annually (Laws 1993, Chapter 357, Section 3, modifying M.S. 354A.12). The aid terminates in the first year that the St. Paul Teachers' accrued liability funded ratio equals or exceeds that of the statewide Teachers' Retirement Association fund (TRA) as reflected in the most recent actuarial reports prepared by the consulting actuary of the Legislative Commission on Pensions and Retirements.

This state aid is not sufficient to eliminate the funding problem faced by StPTRFA, but does reduce the magnitude of current deficiencies.

The aid is indexed to the general education revenue formula allowance as specified in M.S. 124A.24, subd.2, as compared to the base year of 1994. Any change in the formula allowance would trigger a different statutory maximum state matching aid obligation.

FUND PROFILE/STATISTICS:

(Data from 7-1-93 Actuarial Valuation)

Funding

Statutory contributions (combined employer and employee, as % of payroll)	15.37%
Required contributions	<u>18.68%</u>
Deficiency	(3.31 %)
Current Assets	\$393,168,000
Actuarial Accrued Liability	<u>571,059,000</u>
Funded Ratio	68.85%

Plan Participants

Active members	3,441
Members on leave of absence	121
Projected payroll	\$130,291,000
Average annual earnings	\$38,047
Average age	44.0
Average service	11.6
Service retirements	1,244
Disability retirements	36
Survivors	154
Deferred retirements	89
Terminated/Non-vested	889

GOVERNOR'S RECOMMENDATION:

The Governor recommends appropriations at the current spending level for F.Y. 1996-97.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ST. PAUL TEACHERS' STATE AID
PROGRAM: FIN MISC NON OPERATING
ACTIVITY: FIN MISC NON OPERATING

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE		500	500	500	500	500	500	500	500
TOTAL EXPENDITURES		500	500	500	500	500	500	500	500
SOURCES OF FINANCING:									
OPEN APPROPRIATIONS:									
GENERAL		500	500	500	500	500	500	500	500
TOTAL FINANCING		500	500	500	500	500	500	500	500
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

